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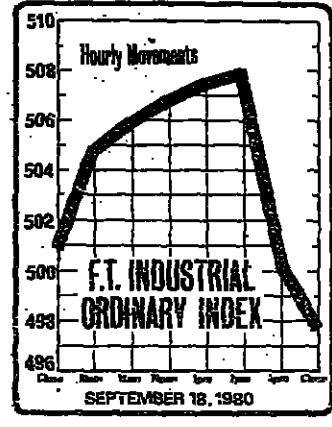
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NEWS SUMMARY

GENERAL
Iraqis claim border success
Iraq yesterday said it had shot down an Iranian jet fighter and repulsed armoured and artillery attacks, in what seems to be a worsening of their bitter border dispute.
Iraqis said an Iranian tank attack in the Maysan region had been driven back, and denied Iranian claims that an ammunition supply train had been blown up.
In Tehran, Iran's Majlis (Parliament) postponed setting up a commission on the U.S. hostages, in order to hear a secret report on the fighting. The Government has not commented on Iraq's formal repudiation on Tuesday of the 1975 border agreement. Back Page; West threatened, Page 3

BUSINESS
Dollar firm; Equities off 3.1
DOLLAR was firm, helped by improved Eurodollar rates and an easing of some European interest rates. It closed at DM 1.7915 (DM 1.7810) and Y212.90 (Y211.90). Its index rose to 83.6 (83.3). STERLING closed 75 points down at \$2.3850, though its index rose to 75.6 (75.5). Page 38



Polish unions
Poland's independent trade unions have attracted 3m members since Poles won the right to set them up last month, workers' leaders said.
Violence warning
Prospects for the unemployed are at their worst since the 1980s and could lead to violence in the streets, said the Supplementary Benefits Commission's final report. Page 9

Turkish oath
Turkey's military commanders swore themselves in as the country's rulers, but dropped from the oath a promise to restore power to a new Parliament. Page 2

Autonomy hopes
Spanish Prime Minister Adolfo Suarez adopted a more conciliatory line towards demands for regional autonomy, and was rewarded with Andalusian support in a parliamentary confidence motion.

Fewer Jews leave
New bureaucratic practices have drastically reduced the rate of Soviet Jewish emigration, long a barometer of U.S.-Soviet relations. Page 2

Refund check
European Parliament took steps to ensure it could monitor the £1.67bn (\$699m) budgetary refund Britain won from the EEC in May.

Israeli attacks
Israeli seaborne commandos attacked Palestinian bases in southern Lebanon for the second time in 20 days. It was described as a routine operation to keep the guerrillas on the defensive.

'Criminals hired'
Prison officers demanded an inquiry into Home Office vetting procedures after their conference was told men with criminal records were being trained as officers.

BBC vote today
Union members at the BBC will today consider a back-to-work formula in the inter-union dispute which has halted preparation of several series.

Getting the pip
British European Parliament members interrupted a debate on world hunger to hand out English apples in protest at 'unfair' competition from French Golden Delicious.

Briefly...
Search resumed for British freighter Derbyshire, feared sunk off Okinawa.
Ark Royal's last trip, to the shipbreakers, was delayed by high winds.
Western Sahara guerrillas said they killed hundreds of Moroccan soldiers in a 16-hour battle.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES	
Treas. 12pc 1982-1991	+1
Treas. 13pc 04-08 E103	+2
Assed. Newspaper	+7
BICC	+8
Boustead	+7
Bowthorpe	+6
Crouth Group	+5
Delta Metal	+5
Fine Art Devs.	+5
Inveresk	+3
Johnson Matthey	+3
Ladbroke	+3
London United	+7
Marler Estates	+10
Pentons	+8
Perry (H.)	+7
Prudential	+10
Rosehaugh	+13
Smith Brothers	+4
Thorn EMI	+6
Westland	+151
Willis Faber	+289
BP	+358
Shell Transport	+414
Unilever	+378
Beverly Tis	+72
Peko-Wallend	+550
FALLS	
Distillers	-215
GKN	-188
Kitchen Queen	-185
Lucas	-201
Rowntree Macintosh	-174
Steeley	-188
Tube Invs.	-232
Vickers	-131
Aran Energy	-370
Grosvet	-587
RTZ	-475
Unizel	-587

Local authority grants reduced as British Rail receives a boost

Heseltine retains £200m in bid to curb spending

BY ROBIN PAULEY

THE GOVERNMENT is to withhold £200m from local authorities in England and Wales in November in a further attempt to force them to contain their spending within Government targets.
In addition, 14 authorities, mostly in London and all but one Labour-controlled, will lose a total of £13.42m grant as a penalty for "profligate" spending this year and failure to make adequate attempts to meet the Government's targets.
Three London authorities, Lambeth, Hackney and Islington, all on the blacklist of 14 are to lose a further £3m total from their inner city partnership programme as a third penalty for refusing to co-operate with the Government.
The cuts will have to be absorbed by greater efficiency and more manpower cuts, or by higher rates, or by further cuts in services, many of which have been already pared to the bone.
The cuts are intended to eliminate all risk of final 1980-1981 expenditure exceeding central Government targets. The £200m could be released if local authorities achieved existing targets.
If, however, the cuts are made, local authority officials believe that most councils will be unwilling or unable to do without that money. They expect that the local authorities will replace the cuts by borrowing, which would increase the public sector borrowing requirement by £200m. If this happened the net gain to public expenditure targets would be zero.
The Government has made cuts on local Government spending an important plank in its economic policy. But the difficulties it has encountered in achieving significant cuts have left Tory supporters concerned about the extent to which the private sector seems to be bearing the full brunt of the cuts.
At the start of this week the union's executive unanimously backed the dockers' decision to strike if the Liverpool port employers refused to give a written assurance that redundant dock labour would not be placed on the national dock labour scheme's Temporary Unattached Register.
Under the 1974 Jones-Aldington agreement, a dockwork regulation, the register can be used only for disciplinary purposes.

THE PENALISED AUTHORITIES

Authority	Domestic rate p in the £	grant to be lost as penalty £m	Rate levy p in £ needed to make up lost grant
Camden	112	5.22	5.00
Islington	118	2.42	4.78
Tower Hamlets	105	1.55	3.73
Lambeth	125	2.10	3.63
Hackney	103	1.01	2.75
Lewisham	104	0.97	2.28
Newcastle	158	1.31	2.18
Hammersmith/Fulham	86	0.51	1.55
Brent	109	0.53	1.41
Waltham Forest	119	0.53	1.35
Hounslow	100	0.55	1.15
Greenwich	94	0.41	1.14
Afan	131	0.11	1.10
Sheffield	136	1.02	1.05

Domestic rates were translated into "uniform" rates by the Government before the list to be penalised was compiled. This adjusts for the effects of different types of government grant including the domestic subsidy and allows for the different circumstances between London and the rest of the country. Hammersmith/Fulham, which is a Conservative Liberal coalition, is the only penalised council which is not Labour-controlled.

Dockers' delegate meeting expected to cancel strike

BY PAULINE CLARK, LABOUR STAFF

THE THREATENED national dock strike will almost certainly be called off on Sunday when union leaders recommend to dockers that they accept a new peace formula. The strike would be due to start on Monday.
The formula was agreed at a meeting yesterday between national port employers and union representatives headed by Mr. Alex Kitson, deputy general secretary of the Transport and General Workers Union.
Liverpool employers are believed to have backed down on their threat to remove 180 redundant dockers from their pay-roll. But they are likely to call, in return, for greater co-operation from the union in encouraging voluntary redundancy, to relieve the port of surplus labour.
The Government plans, in the coming parliamentary session, to increase the present £10m borrowing ceiling for the National Dock Labour Board to enable port employers to offer more attractive severance terms to dockers. It is expected that an interim increase in severance pay will be discussed between union and employers next Monday.
Details of the peace formula were being kept firmly under wraps yesterday ahead of the dockers' recalled delegate conference on Sunday which will finally decide on the strike.
Employers were confident local port leaders of Britain's 23,000 dockers will accept the formula. But Mr. Tom Cronin, TGWU national docks secretary, said yesterday only that the trade union side of yesterday's meeting of the national joint council for the ports industries was prepared to recommend to the conference that the jointly agreed formula be accepted.
At the start of this week the union's executive unanimously backed the dockers' decision to strike if the Liverpool port employers refused to give a written assurance that redundant dock labour would not be placed on the national dock labour scheme's Temporary Unattached Register.
Under the 1974 Jones-Aldington agreement, a dockwork regulation, the register can be used only for disciplinary purposes.

Rothschild family dispute ends

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE PUBLIC row which broke out earlier this week between two branches of the UK Rothschild family over the use of the family name appeared to have come to an end last night.
The dispute had apparently been defused by a series of moves yesterday by Mr. Jacob Rothschild, chairman of Rothschild Investment Trust, the publicly quoted company which until recently has been closely connected with N. M. Rothschild, the UK merchant bank.
Among the most significant was his resignation from the Board of Rothschild's Continuation, the holding company of the merchant bank. He said it had become clear in any case that a majority of the Rothschild's Continuation directors were likely to ask for his resignation.
Mr. Evelyn de Rothschild, chairman of N. M. Rothschild and a major shareholder in the holding company, was the other main protagonist in the dispute. In other moves it was announced that Rothschild Investment Trust is to change its name to RIT Limited, while agreeing to have its 11.4 per cent stake in Rothschild's Continuation sold with that company's "co-operation and expression of confidence".
An intermediate holding company, J. Rothschild and Company, has become manager of RIT's assets as well as holding company for all trading subsidiaries. Another RIT group company is having its name changed to J. Rothschild International Investments.
The outcome leaves Mr. Jacob Rothschild able to use the family name in part of his business, though not in the title of the main holding company.
He has apparently given no commitments about not taking RIT into banking activities in the future, as the other branch of the family had wanted. But last night he said he had "no present intention" of going into banking.

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GKN warns on jobs as profits dive

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

GKN, the largest engineering group in the UK, yesterday announced a 58 per cent fall in pre-tax profits to £22.4m in the six months to June 30.
The first half profits fall and the resultant cut in the interim dividend caused a severe knock to share prices. From a relatively buoyant market earlier in the day, the FT 30-Share Index closed 3.1 points down on this day at 497.7. GKN shares lost 30p, closing at 198p.
GKN warned yesterday that another 2,000 jobs will have to go in the UK, bringing the total jobs lost in the group to 10,000 in the current year, in pursuit of its policy of "concentrating increasingly on the improvement or elimination of unprofitable activities in the UK." This will take GKN's UK payroll down to 59,000 by the end of the year.
The costs of redundancy will be at least £9m, to be charged against full year profits, and termination costs will total about £20m, to be included as an extraordinary item.
The effect will be a significantly lower profit for the second half, making a substantial drop on last year's £101.4m.
GKN's UK profits have borne the full brunt of the recession, and the steel strike earlier this year. Virtually all pre-tax profit came from overseas activities, the UK operations making no contribution overall after interest charges.
The trading surplus on UK operations was £11m, against £36m in the first half of 1979. In contrast, the overseas operations have held up fairly well, particularly on the continent, where the trading surplus increased from £20m to £23m.
The tax charge of £20.2m on profits of £22.4m is attributed to a high proportion of over-

POOR RESULTS CONTINUE

ROWNTREE Macintosh has reported a £5m fall in pre-tax profits to £4.3m because of falling volume in the UK and lower margins abroad. Page 25.
The UDS group confirmed the squeeze on profits in the High Street by managing only £2m at the half-way stage before tax compared with last year's £18m. Page 24.
The news was uniformly dismal from the engineering sector. Although Hestair's heavy vehicle sales picked up with a consequent recovery in interim profits from £55,000 to £453,000 there is no dividend only a warning that the second half looks grim. Page 24.
Delta Metal's figures for the first six months look respectable at £13.5m against £14m last year but they hide a steep fall in the second quarter. The Board has opted to maintain the dividend. Page 27.
The same decision has been reached at Booker McConnell where the engineering divisions bore the greatest responsibility for the slump in interim profits from £9.3m to £4.4m. The news has not, however, inhibited Booker from buying Gallaher's grocery business for £8m or so. Page 25.

Buying Dewar's is like investing in a yearling and discovering it's an Arkle.

EUROPEAN NEWS

W. German central bank cuts Lombard rate to 9%

BY ROGER BOYES IN BONN

THE Bundesbank, West Germany's central bank, yesterday reduced the Lombard rate from 9.5 per cent to 9 per cent, thus easing somewhat the liquidity problem of the German banks. The reduction is the first movement, however slight, in the country's key interest rates since May.

But the Bundesbank's central council has not changed the politically sensitive discount rate of 7.5 per cent—a post-war high—thus signalling its intention to maintain tight monetary policies, despite mounting pressure for a relaxation.

The move is in line with the Bundesbank's current philosophy, outlined again in its report this month.

On the one hand, it is determined to keep interest rates high to attract capital imports and finance its balance of payments deficit while at the same time keeping inflation under control.

On the other hand, it is aware

that banks have to be given sufficient liquidity, especially at a time when the economy is slowing down.

Herr Karl Otto Poehl, the president of the Bundesbank, has stressed that the Lombard rate—the rate at which the Bundesbank lends funds to banks against securities—is only one of several instruments to control liquidity.

In July, the central bank announced that around DM 5bn made available against securities would be offered for 25 days at an annual interest rate of 9.2 per cent—that is, substantially below the then Lombard rate.

The problem for the Bundesbank has been how to maintain a balance between its twin aims of tight monetary control and adequate liquidity for the banks. The trades unions and some Social Democrat politicians have bitterly criticised the high interest rates, claiming that they were effectively creating unemployment and stifling growth.

The Bundesbank, however, described its action yesterday as "a degree of relaxation" and as such it was welcomed by both Herr Hans Matthöfer, the Finance Minister, and the Federation of German Industry. The reduction in the Lombard rate appeared to have little effect on the Frankfurt exchange markets.

None the less, the fact remains that many politicians would have been happy to have seen the Bundesbank go further along the road of easing interest rates. Herr Wolfgang Roth, an economics spokesman for the Social Democrats, yesterday called for the Bundesbank to follow up "this modest step" with further action.

The Kiel Institute, traditionally the gloomiest of Germany's economic forecasting bodies, stressed in a report issued yesterday that the underlying conditions for a cyclical upswing have continued to worsen.

French-Soviet steel contract 'will not include know-how'

BY DAVID WHITE IN PARIS

THE RECENT \$125m French contract to sell steel-making equipment to the Soviet Union excludes the share that the U.S. Arco group was to have taken under the original but cancelled U.S.-Japanese deal, according to French Government officials.

The officials confirmed that the Government exerted pressure on Creusot-Loire, the main company involved in the French contract, not to take over the project in its original form.

The French group, which in 1978 had been an unsuccessful bidder for the steelworks at Novolipetsk, south of Moscow, was contacted by the Soviet authorities soon after the U.S. embargo on sales of high-technology equipment to Russia, imposed at the beginning of the year following the invasion of Afghanistan.

The officials said that the contract that had now been agreed

on corresponded to the share that Nippon Steel, the Japanese partner, was to have had under the cancelled contract. This they said, involved supplies of equipment and machinery, making up about three-quarters of the total value of the project.

Arco's role, which was essentially the transfer of know-how, had been taken over by the Russians, who would build their plant using their own alloy steel technology, the officials said. The plant is due to have an annual capacity of 480,000 tonnes of steel and to start production in 1985.

Nippon Steel was understood to have tried to get back into the project after Arco's withdrawal, the officials added. They said that "no sensitive" material would be transferred to the Soviet Union under the contract.

The U.S. authorities were

informed about the proposed deal before the French Government gave its "green light".

Although Creusot-Loire is a private-sector company belonging to the Empain-Schneider group, financing for the deal was dependent on approval by Government agencies including Coface, the export credit guarantee board. The Government's leverage on the group is increased by its key role as a client—Creusot-Loire's subsidiary, Framatome, supplies France with its nuclear plant.

Three of the other four companies involved in the deal belong to the same group. The Communist-led CGT union has claimed credit for pulling the Soviet deal out of the fire after protesting about delays in negotiations and accusing President Giscard d'Estaing of bowing to pressure from the U.S.

Dutch company faces complaint

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH INVESTIGATORS have filed a report with the public prosecutor alleging possible infringement by the automobile components group, Van Doorne Transmissie, of export controls on sensitive materials.

News of this move follows an allegation earlier this week that Van Doorne had supplied steel tubes, which could be used as centrifuge rotors in uranium enrichment plant, to Pakistan.

The economic investigations department of the Economics Ministry has filed a complaint against the company and its managing director, but it is up to the public prosecutor to decide whether an offence has been committed, a ministry

spokesman said yesterday. Van Doorne was named by the weekly magazine of the Catholic College of Technology in Tilburg, where the company has its factory, as the supplier of components which are believed to have allowed Pakistan to develop its own uranium enrichment capacity.

Van Doorne admitted supplying the components, consisting of 6,500 steel tubes used as centrifuge rotors, but said they were standard products not covered by export restrictions on "sensitive" material.

A Dutch Government report released earlier this year was strongly critical of the supplier of the steel tubes, but did not then name the company.

According to the Government report, the company had delivered the specially hardened pipes to Pakistan between 1976 and September 1979. The final delivery was made despite repeated verbal and written warnings not to, the report said.

The tubes were recognisable as parts for an ultra-centrifuge installation used to enrich uranium, and the company's managers were apparently aware of this, the report said. Van Doorne admitted delivering the pipes but said they were made of ordinary steel and were a standard product used by the company in vehicle transmission systems and many other applications.

OPEC AFTER THE VIENNA MEETING

Ministers optimistic on indexation

BY RICHARD JOHNS IN VIENNA

MOST MEMBERS of the Organisation of Petroleum Exporting Countries (OPEC) remain optimistic that the heads of state meeting scheduled for early November in Iraq will, with the exception of Iran, approve a ministerial report on the organisation's long-term strategy.

Sheikh Ali Khalifa al-Sabah, Kuwait's Minister of Oil, predicted that 12 of the 13 members would agree on its content, including proposals for long-term indexation of oil prices. These could then be formally approved by the OPEC summit.

Even in the almost certain absence of Iran, which is

engaged in an armed border conflict with Iraq, the report could be formally adopted. According to procedural rules, OPEC requires unanimity for its decisions, but its statutes make no mention of summit meetings.

OPEC's Oil Ministers are due to meet on October 14, probably in London or Geneva, in another attempt to reach agreement on the indexation formula for automatic oil price increases.

Compromise was nearly reached at the three-day meeting in Vienna on the basis of amendments proposed by Algeria and apparently supported by Libya. These were

also likely to have been acceptable to Saudi Arabia and Iraq, currently the main powers within OPEC. Agreement was thwarted basically by Iran, which is at loggerheads with Iraq and does not want prices to be restrained by any system at all.

Algeria put forward ideas for a slight modification of the indexation mechanism which had been recommended by a Ministerial committee on long-term strategy, chaired by Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil. An important proviso was acceptance of a programme to control overall output by members.

Saudi Arabia is thought to be prepared to agree to such a scheme if other members make a binding commitment to observe a moderate long-term pricing system.

Other differences, concerning the scope of OPEC's aid programme remain to be resolved. Finance Ministers are to meet early next month in Quito, Ecuador, in the hope of resolving this front.

Another "Trinitaria" OPEC conference like the one in Vienna will take place prior to the Baghdad summit. *Feature, Page 22*
Iraq-Iran border clash threatens West, Page 3

Giscard seeks EEC pledge

By Robert Mauthner in Paris

President Giscard d'Estaing has made it plain that he does not want today's meeting in Paris with Mrs. Thatcher, the British Prime Minister, to turn into yet another Anglo-French quarrel about EEC problems.

Indeed, if the French President's spokesman is to be believed, Mrs. Thatcher will find it difficult to have any real discussion about current disagreements within the Community.

These questions could be settled only at meetings of the Nine, and would therefore not be dealt with in depth, the spokesman said. Mrs. Thatcher would have the opportunity of setting out her Government's position on European problems, but this would not be followed by a fundamental discussion.

If Mrs. Thatcher was hoping to make progress in Paris towards finding a solution of the latest differences over payment to Britain of refunds out of the EEC budget, she will probably be disappointed.

As things stand, President Giscard would like Mrs. Thatcher to give a clear undertaking that Britain will not block farm price rises next year.

The French have let it be understood that their agreement to releasing the refunds from the EEC budget, currently the subject of a price-draw wrangle in Brussels, is closely linked to such a British pledge.

The talks will open with a breakfast meeting at the Elysée Palace between President Giscard and Mrs. Thatcher. M. Raymond Barre, the French Prime Minister, and the two foreign ministers will join the talks later.

Walter Ellis reports from Strasbourg: The European Parliament yesterday declared its interest in the disbursement this year of £760m—part of Britain's EEC refund. MEPs voted by a clear majority yesterday to incorporate Britain's refund within that section of the annual EEC budget over which the Parliament has some control, and each payment to the UK could now be preceded by debate in Strasbourg.

Turkey's generals sworn in

BY METIN MUNIR AND DAVID TUNGE IN ANKARA

TURKEY'S MILITARY commanders yesterday swore themselves in as the country's new rulers. At the last minute they dropped from their oath a specific promise to restore power to a new Parliament, but they repeated their commitments to human rights and democratic principles.

The ceremony was followed by an exceptional meeting of the self-proclaimed "National Security Council," made up of the armed forces' commanders, and the country's other top officers.

It was the first time since last Friday's coup that the Council had met formally with the men on whom they rely for power. The meeting was to agree on the Cabinet which is to be announced shortly, to see if any officers should be purged, and to set the course of the new regime.

The regime gave a taste of its character at the grandiose ceremony in the building where Parliament worked until it was abolished last week.

Around 60 civilians faced an array of 190 officers, uniforms and ceremonial swords as Gen. Kenan Evren, the military ruler,



TURKEY'S LEADERSHIP—From left, General Nurettin Ersoy (head of ground forces), General Tahsin Sahinkaya (head of the air force), Admiral Nejat Tümer (naval chief), and General Sedat Celazun (head of the gendarmerie).

said he would apply the principles of Kemal Ataturk, the founder of modern Turkey, and of "justice, law, human rights and my conscience."

He then swore on his honour to uphold the integrity of the fatherland, "for the unconditional sovereignty of the nation

and for the establishment of a new constitutional order based on democratic and secular Republican principles."

But a direct reference to restoring power to a new Parliament which had been contained in a midday draft of the oath was omitted.

Strikers close Berlin railways

BY LESLIE COLT IN BERLIN

A SPREADING strike by West Berlin employees of the East German Reichsbahn state railway has halted all freight and mail trains running between West Germany and West Berlin, virtually closing the city's urban railway network.

The railwaymen, inspired by the successes of Polish strikers, are demanding the right to elect

their own representatives to the East German Government trade union of which they are automatically members. They also want pay rises, longer holidays and other social benefits.

Some 3,000 West German citizens work for the East German Reichsbahn, which, since 1945, has run the entire city's urban railway, the S-Bahn.

There was no sign of East German railwaymen joining the strike, which would bring immediate retaliation from the security police. Nearly 100 cases of violence against East German railwaymen were brought into West Berlin yesterday as strikers broke to maintain services on one of the main elevated lines.

Danes lower discount rate to 12%

BY HILARY BARNES IN COPENHAGEN

THE DANISH discount rate was reduced from a record 13 per cent to 12 per cent with effect from today, the Central Bank announced. The rate was raised from 11 per cent to 13 per cent in February.

The bank said the reduction was justified by stability in exchange markets and the prospect of a lower current account

deficit for the remainder of the year and a lower rate of inflation.

Private banks are expected to reduce their interest rates. Average lending rates, including commission, are now 18 per cent and deposit rates 15 per cent.

This year's high interest rates have hit the building industry

severely. Housing starts so far this year have fallen sharply, as have agricultural building and factory building starts.

Denmark has consistently followed a high interest rate policy since the mid-1960s to attract private capital imports to help finance the external deficit.

Emigration of Jews from Soviet Union slows

By David Satter in Moscow

THE RATE of Soviet Jewish emigration, long regarded as one of the principal barometers of U.S.-Soviet relations, has slowed drastically in the past few months amid signs that the period of relatively free Jewish emigration may be coming to an end.

In the months of July, August and September, Jewish emigration has proceeded at a rate of about 1,000 persons per month, compared with almost 5,000 Jews who left the Soviet Union in October, 1979.

A steady fall in the emigration rate began in January, after the invasion of Afghanistan, when 3,721 Jews were allowed to emigrate. By May the total had fallen to 2,100 persons, and it fell further to 1,500 persons in June and 700 in July when the Soviet visa office was said to be preoccupied with work connected with the Olympic Games.

The end of the Olympics in early August brought no significant increase in emigration, however. About 1,000 Jews emigrated that month, and 300 a week are leaving this month.

It is now expected that no more than 20,000 Jews will leave the Soviet Union this year, compared with 50,000 in 1979, when the Soviet Union still hoped for trade concessions from the U.S.

In apparent moves to cut the flow of emigrants, the Soviet authorities have introduced a number of punitive bureaucratic practices which reduce the chances of gaining permission to emigrate, while greatly increasing the risk and difficulty of applying.

The Soviet authorities insist that a would-be emigrant should present an invitation from "relatives" in Israel, who in most cases do not exist. When applications to join these non-existent "relatives" were refused in the past it was on the grounds that the applicant knew "State secrets."

Now the number of refusals is increasing rapidly but the reason being given is that the invitation does not come from a close enough "relative."

Jews in the Ukrainian city of Kharkov have reported that emigration from Kharkov and other Ukrainian cities has almost completely stopped and that virtually all applications are being refused.

As of September 1 in Kharkov, the visa authorities began issuing "final refusals" to prospective emigrants. In the past, even when a person was refused permission to emigrate repeatedly, he retained the ability to re-apply at six

months. In many Ukrainian cities, local officials are refusing to hand out application forms and in Moscow invitations from Israel are not being delivered through the Soviet post.

An invitation from Israel must be presented to the Soviet visa office in the envelope in which it was sent, in order to prove that it arrived through the Soviet post. It is therefore possible to cut off the flow of applications by refusing to deliver the invitations.

David Marsh looks at Moscow's enigmatic role in Western gold Markets and reports that a Soviet-South African sales link could develop

Moving in more mysterious ways than ever

THE SOVIET UNION, the most enigmatic participant in the international bullion market, is not only a past master at keeping its cards close to its chest. It is also beginning to find that it holds all the aces.

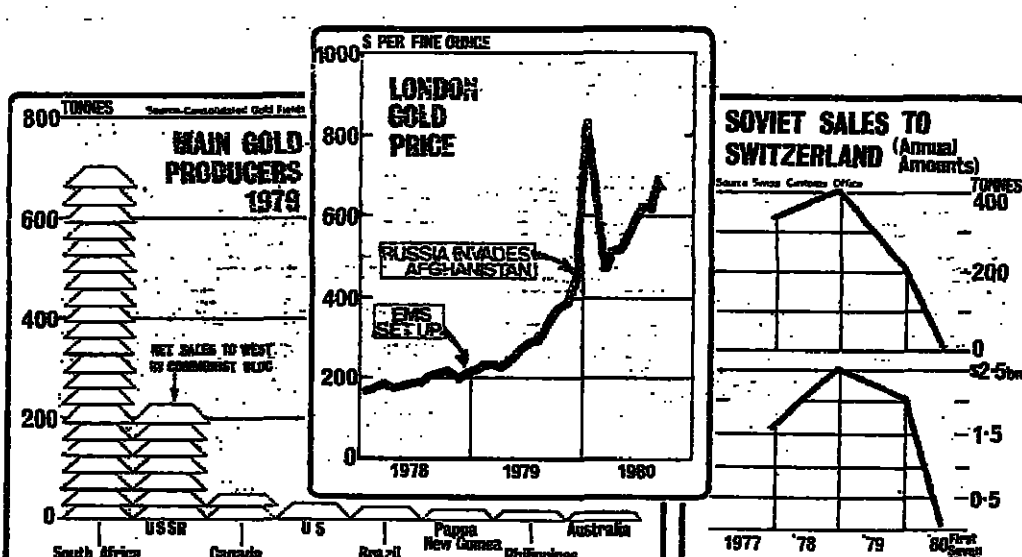
By sending its tanks into Afghanistan last December, the world's No. 2 gold producer itself provided the main impetus behind the January surge in the bullion price to \$850 per ounce. Since then, the Russians have held back supplies from the Western gold markets in an apparently deliberate attempt to hold up prices. This has been one of the main factors behind recent fresh gains in the bullion price to a peak last week of just under \$700 per ounce.

Believing that gold re-monetisation provides another basic support for the price, the Soviet authorities have been expressing discreet enthusiasm for the moves afoot in the West to re-build a role for gold in central bank settlements through the European Monetary System.

Now there are tentative indications that as part of its efforts to improve control of prices, Moscow may be interested in some kind of informal marketing collaboration with a country that at first sight looks a strange political bedfellow—Right-wing South Africa, the world's premier gold producer.

Such a link might not, in fact, be so odd. The two countries already co-operate informally in selling diamonds to the West. As the two main producers of platinum, there have also been rumours of an informal joint strategy for sales of this metal as well.

Any kind of collaboration over gold sales would add a new dimension to the gold market. But both countries are already following broadly similar poli-



cies. With its balance of payments position now much improved, South Africa now no longer needs to sell all its gold production on to the market at once. In recent months it has switched to a policy of withholding quite considerable amounts in order to bolster prices.

Details about the Soviet Union's gold sales policy have always been a well-guarded secret. Western analysts in touch with Moscow say that only about two or three people in Russia itself enjoy access to full information about annual production and sales.

The Soviet sales strategy this year has presented the gold market with a bigger puzzle than normal. According to statistics issued by the customs authorities in Switzerland—the country which acts as Moscow's main

outlet for sales to the West—Russian gold exports in the first seven months of this year have fallen to only about 5 tonnes from 214 tonnes in the whole of 1979, and 401 tonnes in 1978.

According to one top dealer at a London bullion house, the Russians are moving in more mysterious ways than they used to.

The Swiss figures show that the last delivery of Soviet gold to Zurich was made in January. They also reveal that the Russians withdrew about 3 tonnes of gold from Switzerland in April. This adds credence to some bullion dealers' suggestions that Moscow has occasionally entered the market to buy gold in order to bolster prices.

The Swiss figures have long provided Western gold analysts with their main indication of Soviet marketing strategy. It is

thought that hardly any Soviet gold comes on to the market via London, the other main international trading centre.

Some gold analysts in London and Zurich believe that the Soviet Union has been diverting a small amount of supplies this year to other markets, possibly New York. There have been constant rumours that Moscow has entered into bilateral deals with oil producing countries, which have been heavy buyers of gold during the past 12 months. But analysts with close links to the Moscow marketing authorities doubt whether this has been the case.

There have also been indications that some Soviet gold has been coming on to the market through other East bloc countries. Bulgaria, not known to be a gold producer, has exported more than 22 tonnes of gold to

Switzerland so far this year, after bringing in only about one tonne last year and hardly any during the previous two years.

Some dealers speculate that Bulgaria may have received Russian gold in payment for exports to Moscow, and is now selling the proceeds for hard currencies in the West. Others say that Bulgaria may be running down its gold reserves.

The consensus in London and Zurich is that the Soviets are deliberately holding back supplies in anticipation of still higher prices later on this year. Credit Suisse, for instance, expects that Soviet sales to the West this year will still be around 115 tonnes.

Because of higher prices, this would probably net the Soviet authorities about the same amount of foreign exchange as

Soviet 'Goldfinger' proves elusive

DESPITE the cloak of mystery which covers Soviet gold sales, the organisation which locates, exploits and sells this most glamorous of metals, is on the surface at least, as prosaic as any other part of the Soviet industrial bureaucracy, writes Anthony Robinson.

If the Soviet Union does have a "Mr. Goldfinger," empowered to deal discreetly behind the scenes with his South African counterparts or arrange direct sales to oil Sheikh, his identity is a closely guarded secret.

Ask a Swiss banker where to start the search, however, and the answer is likely to be

No. 1 Schutzengasse, in the heart of Zurich's financial and banking district around the Bahnhofstrasse.

This is the home of the Wozzhed Handelsbank, a wholly-owned Soviet bank set up in 1966 ostensibly to foster Swiss-Soviet trade, but also, it is widely believed among Zurich bankers, to keep a close eye on the gold market and channel Soviet gold sales through it.

With a balance sheet of SwF 750m (£200m) last year it was the sixteenth largest foreign bank in Switzerland, ahead of such capitalist heavyweights as Chase Manhattan or Chemical Bank. Three

members of the board are Swiss, only the fourth man, Mr. M. Samsonov, is Russian.

But it would be rash to presume from his rank and nationality alone that Mr. Samsonov is "Mr. Goldfinger." The man or men engaged in the most sensitive operations would almost certainly hold much less exalted formal positions, as they do in embassies and trading organisations.

Strategic gold marketing decisions are almost certainly a function of a small group of specialists in Moscow itself, in liaison with the State Bank and Ministry of Foreign Trade.

Moscow has plainly welcomed the moves in the West to return gold to greater monetary prominence in international financial arrangements. The European Monetary System set up at the end of 1978, has effectively given gold a new monetary role by allowing EEC countries to make far greater use of their bullion reserves in order to settle currency intervention debts and make other transactions among each other.

According to some London bullion dealers, it has been this effective re-monetisation of the metal as much as fear of "World War III" that has accounted for the trebling in the price during the past 20 months.

Soviet commentators have voiced their approval on several occasions. An article signed by A. Dorst in the May edition of the economic journal "Economic

Science," wrote warmly of the way that the EMS was helping Western Europe "to build a new, gold-based monetary system."

South Africa, too, has not been slow to recognise the benefits for producers of a return to gold as an important—if still informal—role in the international monetary system. Could the stage be set for some kind of loose collaboration between the two major producers over the way that gold is channelled to the West?

This question has tantalised the gold market for years. Now that both countries' improved external payments positions allow them the option of withholding gold from the markets, such co-operation is at least theoretically possible.

One recent event has renewed speculation that some sort of loose marketing agreement may eventually be worked out. The gold market has learnt that officials of Consolidated Gold Fields, the London-based mining finance house in which De Beers and Anglo American Mining Corporation own significant holdings, have been in contact with the Soviet authorities with a view to possible co-operation.

Both the South Africans and the Russians may be interested in maintaining similar sales policies to keep prices as stable as possible at the present high level. According to a key Soviet-watcher at one London bank: "If they simply agreed that no one rocked their boat, that would be a big step for the gold market."

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OVERSEAS NEWS

Roger Matthews assesses the dangers in the rising tension between Iraq and Iran

Border clash that threatens the West

THE FIGHTING between Iraq and Iran is potentially more explosive and certainly more threatening to the economies of the industrialised world than most other historical border squabbles between Muslim countries in the Middle East.

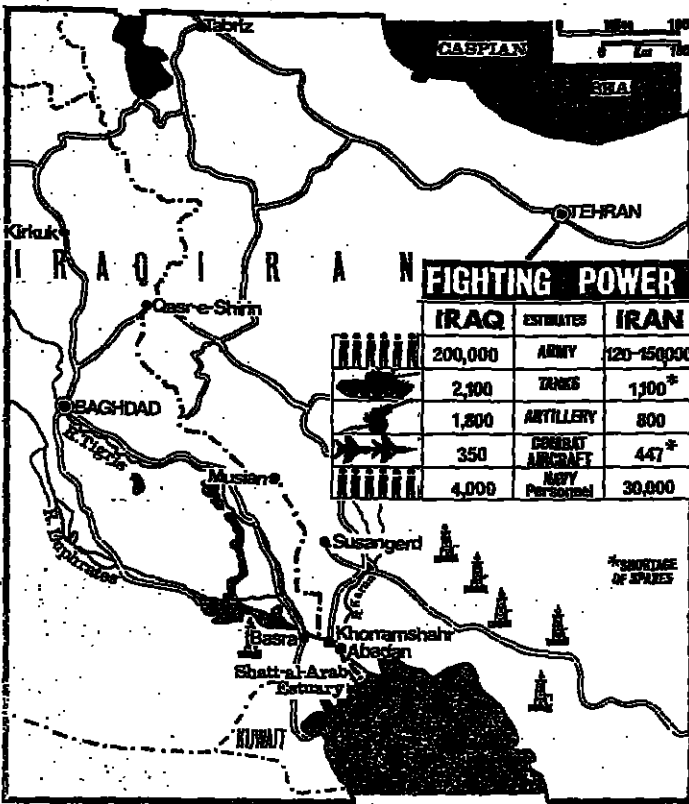
They are both major oil producers, and the area in contention is at the heart of the producing and shipping region. The decision by President Saddam Hussein of Iraq on Tuesday unilaterally to abrogate the 1975 agreement with Iran on the vital Shatt Al-Arab waterway, has been greeted as a declaration of war by officials in Tehran.

Although the timing has caught Western diplomats by surprise, it can be seen as part of President Hussein's longer-term objective of emerging as a major new force in the Arab world, while also seeking to replace Iran as the dominant power in the Gulf.

The pace of development has been speeded up by the vacuum left by President Anwar Sadat of Egypt, when he signed the peace treaty with Israel and the bitter hostility that quickly developed with the revolutionary regime in Iran.

The Ba'athist regime of President Hussein is predominantly of the Sunni sect of Islam and he was bound to regard with deep anxiety any attempts by Iran to export its revolution, based on the Shi'ite sect, to his own country considering Iraq's 50 per cent Shia population.

At the same time, President Hussein is trying to establish his own credentials, having only taken full official power 14 months ago. Although the regime's "strong man" for several years, his action on the Shatt Al-Arab waterway removes what has long been seen in Baghdad as a stain on Iraqi pride.



Shatt Al-Arab, where the waters of the Tigris and Euphrates come together and flow down into the Gulf, is Iraq's only outlet to the sea. On one side of the 100-mile stretch of water is Basra, Iraq's major port and on the other is Abadan, the site of Iran's largest refinery. At the mouth of the estuary, both countries maintain oil terminals.

The refinery at Abadan, processing more than 600,000 barrels a day, remains the most exposed target. It stands right on the estuary which is only a couple of hundred yards wide at that point.

Tankers do not come directly

exercised sovereignty over the entire estuary, but then at the OPEC summit in Algiers in 1975 was eventually forced into a deal with the late Shah of Iran.

The basis of the deal was that the Shah would drop his support for the Kurdish rebels struggling for independence from Iraq, and in return the border between the two countries was to run down the centre of the waterway.

As a result, the costly Kurdish rebellion was put down but at a price to national pride that can now be reclaimed from a greatly weakened and strife-ridden Iran.

Weakened

The authorities in Baghdad clearly hope that Iran's weakened condition makes it unlikely that Tehran will risk full-scale military confrontation. Iraqi forces have in the past weeks pushed at least eight miles into Iran along some parts of the border and appear to have resisted all attempts to dislodge them.

The substantial build-up of forces in Iraq and the purchase of ever-more sophisticated weaponry from the Soviet Union and Western Europe has been paralleled by a simultaneous rundown in the equipment and readiness of the mainly U.S.-equipped Iranian forces.

Military analysts believe that Iraq could confidently expect to win a battle between the armies and air forces, but the outcome at sea would be much less certain due to the relatively limited effect of the Iranian Revolution has had on its naval forces.

Should Iran seek to challenge Iraq in the Gulf by perhaps interfering with its shipping, then the dispute could



President Saddam Hussein

quickly take on a more alarming aspect from a western point of view.

Equally, the Soviet Union will be watching the situation closely both because of its strategic importance and also because it has base facilities at Qaw at the mouth of the Shatt Al-Arab estuary.

President Saddam Hussein is also risking a great deal. Should Iranian military action succeed in limiting his prime oil outlet, he would be forced to rely more heavily on the pipelines through Turkey and Syria.

During last year's brief honeymoon with Syria, the pipeline was reopened but the collapse of plans for union has given way to renewed bitterness that might at any time lead to the border being shut again.

Mr. Hussein also has to assess the possible impact on next month's OPEC summit due to be held in Baghdad and his role as host for the 1982 Non-Aligned summit, another international event that would en-

hance his much sought-after world recognition.

The difficulties of assessing Mr. Hussein's motivation in escalating the conflict at this moment are only matched by those of predicting the response from the highly volatile authorities in Iran, a situation which must cause alarm to both the superpowers and the world's main oil consumers.

A major factor in any increased tension is bound to be the attitude of the local majority Arab population in Khuzestan province who are resentful towards the Persians who have come to live in the area as the oil industry has developed.

Bitterness

Since the Iranian revolution, Iraq has tried to increase the political awareness of this Arab population. Iraqi-trained Arab separatists have been responsible for the spate of pipeline explosions since February last year, which although hardly affecting either crude production or the work of refinery or have been a constant irritant.

The bitterness between Iraq and Iran also spilled over into this week's OPEC meeting in Vienna and threatens to cause continued difficulties for the summit scheduled for Baghdad next month.

Iran has emerged as the biggest stumbling block to agreement on a long-term production and pricing policy and has claimed that OPEC, with Iraq as one of the main culprits, has been substantially overproducing.

The Iranian anger has undoubtedly been fuelled by the growth in understanding between Iraq and Saudi Arabia, and was highlighted by the row over which OPEC member should chair this week's session. Iraq eventually managed to force Iran out of the chair and have it replaced by Algeria.

Mrs. Gandhi signals end of 'Sanjay cult'

BY D. P. KUMAR IN NEW DELHI

THE DISCLOSURE that the late Mr. Sanjay Gandhi's cremation platform has been demolished on the instruction of Mrs. Indira Gandhi is seen by sections in the ruling Congress (I) Party as an end of the so-called "Sanjay cult."

It also symbolises the change being initiated with the induction of Sanjay's elder brother, Rajiv, into politics. Rajiv is now assisting his mother and many politicians wanting to meet Mrs. Gandhi have to see him first.

Many think that Rajiv is being groomed as Sanjay's successor but he has said that he would rather start from scratch and come up in the Congress (I) in the natural course.

Rajiv is known to be a believer in a reconciliation with

the veteran members of the Congress whom Sanjay had relegated to powerless positions in favour of his younger followers in preparation for his take-over of the party.

Mrs. Gandhi is worried about the problems that she has been saddled with after Sanjay's death. For example, she has some of her Cabinet followers, nominees of Sanjay whom she does not know well. The position is the same in many Congress-ruled States.

Indications are that Mrs. Gandhi, possibly on Rajiv's advice, has decided to bring the older members of the Congress back as her advisers in a bid to improve her image and to hasten decision-making at the political level. Changes in her Cabinet are expected to be announced soon.

India to build 7 heavy water plants by 1986

BY K. K. SHARMA

INDIA HAS decided to establish seven new heavy water plants by 1986, in a bid to ensure supplies for the country's fourth 400 mw nuclear power station near Madras.

The decision suggests that India intends to become self-reliant in heavy water, to ensure there are no further impediments in the way of reaching the target of installing a nuclear generating capacity of 10,000 mw by the end of the century.

The progress towards achieving the nuclear generation target has been slowed by doubts over the availability of fuel and heavy water from abroad, largely because of safeguards demanded by foreign suppliers like the U.S. and Russia after India's refusal to sign the Nuclear Non-Prolifera-

tion Treaty. India is now planning to obtain fuel like enriched uranium from internal sources and has decided to become self-sufficient in heavy water, which is essential for cooling reactors. Both will ensure that foreign pressure no longer holds back the generation of nuclear energy and installation of new plants.

The Madras plant needs 240 tons of heavy water annually and this will be produced by the seven new plants. These are in addition to the five water plants already working in the country. Shortage of supplies from these forces India to import heavy water from Russia, which has agreed to supply 250 tons this year, but only after insisting on inspection of the Rajasthan plant where it will be used.

ASEAN likely to launch new bid for talks on Kampuchea

BY DAVID HOUSEGO, ASIA CORRESPONDENT

A FRESH attempt to launch an international conference on Kampuchea is likely to be made by the Association of South East Asian Nations (ASEAN) during the present meeting of the UN General Assembly.

The move, of which Western diplomats have been given notice, is seen as an attempt by the ASEAN states to recover the political initiative in the diplomacy over the future of Indochina.

Vietnam has already indicated that it will be putting forward its own resolution on Kampuchea to the Assembly. This will reflect the demands for a demilitarised zone between Thailand and Kampuchea, coupled with direct negotiations on the border conflict that were put forward in a joint declaration by the Foreign Ministers of Vietnam, Laos and Kampuchea, in July in Vientiane.

The so-called Vientiane declaration angered Thailand and its ASEAN partners as deflecting attention from what they see as the main issue in Indochina—namely Vietnam's invasion and occupation of Kampuchea.

The ASEAN states were even more exasperated when they saw Dr. Kurt Waldheim, the UN Secretary General, whose good offices they had invoked in last November's General Assembly debate to seek a political solution in Kampuchea, apparently supporting the Vietnamese.

Dr. Waldheim lost patience with ASEAN's attempts to press for UN observers on the Thai-Kampuchean border against the obstacle of a potential Soviet veto. He also seemingly saw the Vietnamese proposals as closer to the type of UN mediation that might eventually evolve.

The first round in this year's skirmishing at the UN seems likely to go to the ASEAN states with acceptance by the

credentials committee of the deposed régime of Pol Pot as representing Kampuchea. Vietnam and the Soviet Union has been canvassing for the acceptance of the Heng Samrin régime.

The main debate on Kampuchea is, however, likely to be one of the most sensitive of the session, touching as it does on rivalry between the U.S., the Soviet Union and China, as well as the issue of non-intervention which will be posed again during the debates on Afghanistan.

The debate will also affect fresh pledges of aid to Kampuchea. Aid commitments through UNICEF and the Red Cross have been running at an annual rate of \$500m, representing a per capita contribution of about \$100.

This is higher, as Western diplomats worried by inadequate international monitoring of aid in Kampuchea, point out, than the GNP per capita of many countries.

China—the most active supporter of the Khmer Rouge—the U.S. and West Europe are all likely to support ASEAN in seeking an international conference. There are few hopes, however, that Vietnam would countenance it at this stage.

The West parts ways with China, however, in not wanting an indefinite guerrilla war in Kampuchea because of the cost in lives and the embarrassment of being seen to condone the barbarism of the Khmer Rouge.

But any political solution still depends on the unlikely possibility of a reconciliation between China and Vietnam and finding an acceptable head of government in Phnom Penh. In apparent preparation for the UN debate, China has of late shifted its stance towards supporting ASEAN's proposals for a negotiated settlement. Premier Zhao Ziyang recently declared that a Vietnamese



Heng Samrin



Pol Pot

withdrawal from Kampuchea was no longer necessarily a precondition for talks on the future of Kampuchea.

The Chinese believe that Vietnam's growing difficulties in Indochina will eventually force them to accept concessions over Kampuchea which could pave the way for an internationally acceptable government.

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September 19, 1980

By David Kelso McConnell
Secretary

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WORLD TRADE NEWS

Japanese groups to stop Iran oil imports

By Charles Smith, Far East Editor, in Tokyo

FOUR JAPANESE trading companies which have been importing heavy oil from Iran under deals signed early this year will cease to do so when the contracts expire at the end of this month.

The heavy oil shipments are the residue of the important trade in crude oil which was suspended in April when Iran demanded, and Japan refused to accept a price increase that would have taken the cost of Iranian light crude to \$35 a barrel.

Iran began refusing to load Japanese tankers when the trading companies rejected the price increase. It continued to ship heavy oil to Japan but will have to cease supplies from the end of this month, unless the Japanese companies agree to renew or renegotiate their contracts. So far there is no indication that the companies—Mitsui, Marubeni, Nippon Yusen and Kishida—are in any hurry to do this.

One of the companies said yesterday there were political as well as economic reasons for not reopening talks with the National Iranian Oil Company (NIOC). Despite this, it looks as if contacts will at some time be resumed. NIOC is understood to be anxious to supply both heavy oil and naphtha to Japan, whether or not trade is resumed in crude oil.

The contracts provided for the shipment to Japan of about 2.8m tons of heavy oil over a nine-month period. The Japanese buyers agreed to accept a relatively high figure for the deliveries as part of a package under which crude was also to be supplied.

If a new import contract is eventually negotiated for heavy oil alone, or for heavy oil and naphtha, Japan would almost certainly want to reduce the quantities to be shipped below those in the present agreement.

Japanese traders involved in oil dealings with Iran say NIOC theoretically has the right to claim compensation from Japanese oil importers for their refusal to accept the Iranian price demand of last April. So far, however, NIOC has not hinted that it plans to seek such compensation. Any attempt by the Iranian to take legal action against Japan would presumably block the opening of negotiations on a new sales contract.

The four sales contracts cover the bulk of Japan's remaining imports of oil and oil products from Iran. Some smaller contracts, however, will remain active for a few months longer.

Richard C. Hanson reports: Toyo Kogyo, the maker of Mazda cars, is discussing the possibility of providing Ford Motor 150,000 diesel engines a year for a new car model expected to be introduced in the U.S. in 1983. Ford acquired a 25 per cent equity share in Toyo Kogyo earlier this year.

ABC ships cut swathe through big operations

BY WILLIAM HALL, SHIPPING CORRESPONDENT

ONLY TWO years after Mr. Tsvi Rosenfeld's ABC Containerline burst onto the Europe/Australia/New Zealand shipping scene, his unconventional ideas have enabled him to make substantial inroads into the market share of the established operators.

Initially, the shipping conference lines dismissed Mr. Rosenfeld's incursion into their tightly knit trades as a temporary phenomenon. His fleet of 15 bulk carriers under the umbrella of Antwerp Bulk Carriers (hence ABC), was underemployed, so Mr. Rosenfeld decided to fill them with containers. Once the bulk trades improved Mr. Rosenfeld would be off and away, or so it was thought.

But the bulk trades have improved and, far from withdrawing, Mr. Rosenfeld is ordering more tonnage for the Europe/Australia/New Zealand run, much to the consternation of the long established shipping consortia, of which Britain's OCL and Associated Container Transportation (Australia) are the most important.

ABC Containerline owns four combined bulk/container carriers which have all been built over the past couple of years. These ships are just over 40,000 dwt, can carry up to 1,500 containers and 30,000 tons of bulk cargo. ABC also has two pure container ships on long term charter which can carry just over 700 containers apiece on average.

ABC's fleet operates a round-the-world service between Europe, Australia and New Zealand, the U.S. Gulf and back to Europe. The key to its success to date is a lucrative 15 year contract with Du Pont de Nemours to carry mineral sand from Australia to the U.S. ABC's ships carry containers down to Australia, mineral sand to America and containers back to Europe.

This week's decision by the New Zealand Wool Board to end its longstanding agreement with the conference lines is an indication of the pressure ABC is bringing to bear.

The company is also helped by the fact that it has some cheap ships and they are

equipped with economical slow speed diesels.

Although ABC is rather coy about revealing financial information about itself, it is benefiting from the fact that two new 41,000 dwt bulk/container ships now on order at the Belgian Cockerill yard carry 85 per cent Belgian Government financing.

ABC is also negotiating the purchase of two more ships costing around \$150m in total from Livingston Shipbuilding of Orange, Texas.

This last contract, which has not yet been signed, is particularly interesting since ABC Containerline has managed to persuade the pension fund of a U.S. trade union, the Marine Engineers Beneficial Association (MEBA), and the shipyard to put up the majority of the equity for a joint venture. First American Bulkships, which will own the two U.S. flag ships.

ABC has taken advantage of the U.S. Government's interest in increasing the size of the U.S. flag bulk shipping fleet. It hopes to get a subsidy of up to 50 per cent of the cost of the ships (\$78m apiece) and will be able to finance the majority of the cost with 25 year money guaranteed by the U.S. Government.

The equity of \$14m per ship will be provided by MEBA (50 per cent), Livingston Shipyard (30 per cent) and ABC (20 per cent). Once operating, the ships will be eligible for an 87 1/2 per cent operating subsidy from the U.S. Government.

Certainly, the combination of ABC's cheap and fuel efficient fleet of six Belgian bulk ships, will prove strong competition for the conference lines' older vessels. The unknown factor is whether ABC has the financial muscle to sit out a prolonged rate war with the conference lines. They are not going to allow their market to be taken from them without a fight.

Brazil has new EEC agreement

THE EEC yesterday signed a five years co-operation agreement with Brazil, which sets up a commission to further economic ties. The agreement replaces an accord signed in 1974. Reuter reports from Brussels.

Nearly a third of Brazil's exports go to the EEC. The main products are coffee, soya cake, soya beans and iron ore. But EEC countries provide Brazil's major source of foreign investment with holdings worth \$4.5bn (\$1.9bn). Trade between the two has increased more than fourfold since 1970 to \$7.7bn in 1978.

Rik Turner adds from Sao Paulo: Brazilian officials characterised the signing as "an agreement worth \$8bn of trade." They noted that it will serve as a framework for discussion on areas in Brazil's economic development that EEC is interested in.

These include steel, aluminium and alternative energy sources. Brazil is a long-standing supplier of iron to the EEC, to an extent that restrictions have been placed on the trade. It has also deepened its penetration of the market for finished steel.

But the restrictions on iron exports, and on exports of shoes and textiles to the EEC, are not mentioned in the agreement. Officials in Brazil are pessimistic about the possibilities of review.

British company wins £20m contract for Portugal grain plant

BY RHYS DAVID

SIMON-CARVES, part of Simon Engineering of Stockport, has been awarded a contract to build one of the world's biggest grain terminals near Lisbon, by the Portuguese State group, Empresa Publica de Abastecimento de Cereais.

The contract, which is due to be completed in two-and-a-half years, will be worth about £20m to Simon-Carves and its mainly UK sub-contractors for the design, supply, installation and

commissioning of the plant. Civil engineering work costing a further £15m, will be handled by two Portuguese companies—Engil Sociedade de Construcao Civil, and Sonec Sociedade Metropolitana de Construcoes Sarr.

The terminal is intended by the Portuguese group to replace outdated facilities and will play a major part in the planned expansion of livestock rearing by Portugal which is at present a major food importer.

The Portuguese also hope to establish the new terminal on the mouth of the Tagus, as a transshipment point for southern Europe and the Mediterranean, for grain from North and South America.

The system will comprise a 180,000 tonne reinforced concrete grain storage silo, three 1,000 tonne per hour ship unloaders, three 500 tonnes per hour barge and coastal vessel loading facilities and transfer and weighing equipment for a

1,250 tonnes per hour vehicle loading station. A central computer system will control the operation of the terminal and provide data on commodities in store.

Mr. John Burgess, managing director of Simon-Carves, said yesterday the company would make a reasonable margin on the deal in spite of the high level of the pound. Employment within the company, which specialises in grain elevators, rubber-making equipment and

other large industrial process plant, could be doubled, however, with a more competitive exchange rate.

The company is at present engaged on its biggest ever contract, a \$79m tyre factory for the Soviet Union and Mr. Burgess said the order book was healthy. A contract worth £2.5m for two of the company's Simporter cargo unloaders was signed earlier this month with South Korea and a major contract is in the final stages of negotiation with Morocco. It was also hoped to sell the system being supplied to Portugal to major ports in the USSR.

Credit arrangements for the Portuguese deal are still being settled, but full cover for the contract through the Export Credit Guarantee Department is likely to be negotiated.

Turnover at Simon Engineering in the first half of the year rose by £21m to £155m and pre-tax profit was £365,000 higher at £7.6m.

Indonesia to build French helicopters

By Richard Cowper in Jakarta

INDONESIA and France will work together in producing the French Aerospatiale Super-Puma helicopter as part of an expansion in bilateral co-operation in building an armaments industry here.

Mr. B. J. Habibie, Indonesia's Minister for Research and Technology, said yesterday that equipment for production of French super Puma helicopters would arrive in Indonesia next month. The 22-seat helicopter, which can be used for both civil and military applications, will be produced under licence at Indonesia's Nurtama factory in Bandung, around 140 kilometres south-west of Jakarta.

The agreement signed between France and Indonesia will provide a major boost to Indonesia's fledgling aircraft industry. Indonesia already produces Spanish Casa C-312 Aviocar short take-off aircraft under licence from Construcciones Aeronauticas, and BO-105 helicopters under agreement with Messerschmitt-Bölkow-Born (MBB) of West Germany.

News of the Puma project came after talks with French military officials. The talks were aimed at expanding co-operation between the two countries on the development of Indonesia's armaments industry.

To date France has played a small role in the supply of arms and military equipment to the Indonesian armed forces but with recent sales of missiles to the Indonesian navy and now the Puma helicopter licence, France could well be set to expand its market further.

Atlanta's \$750m air terminal unveiled

BY MICHAEL DONNE IN ATLANTA

A NEW \$750m passenger terminal complex is being brought into use at the Atlanta's Hartsfield International Airport, the second busiest airport in the world.

After formal inauguration ceremonies yesterday, the new passenger buildings, set in the middle of the existing pattern of runways, will take over completely this weekend from the old congested buildings which were built in 1961.

Last year, nearly 42m passengers passed through Atlanta, ten times the number the old airport buildings were designed to handle. This made Atlanta the world's second busiest airport after Chicago's O'Hare, which handled 48m passengers. By comparison, Los Angeles International was the third busiest with 35m passengers while London Heathrow was the fourth busiest with over 28m passengers, in 1979.

The new buildings at Atlanta are capable of handling at least 85m passengers a year. But provision is also made for expansion through the 1980s as air travel expands again after the recession to enable the airport to cope with up to 75m passengers a year, and there is scope for further growth into the 1990s with room for additional buildings and also a fourth runway.

The new passenger facilities comprise two main terminal buildings adjacent to each other, but linked by underground railway to four separate parallel passenger concourses spread over a vast area with a total capacity of up to 135 wide-bodied jet airliners at any one time.

The reason for this design was that about 70 per cent of the passengers using Atlanta are only changing aircraft there, making connections for other airlines and destinations.

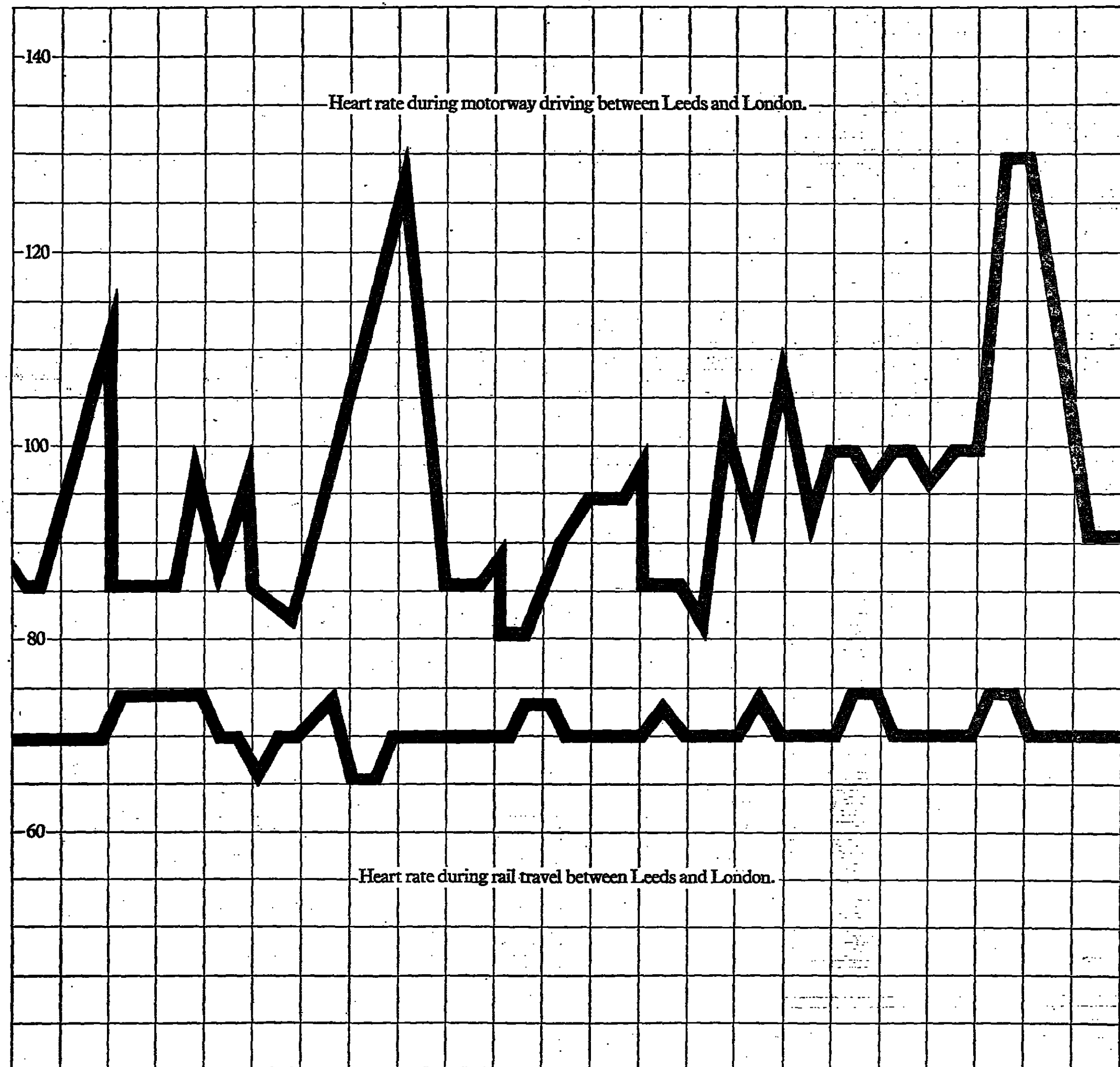
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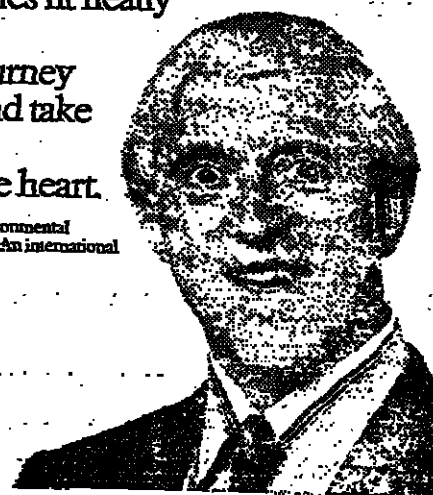
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*Taylor, S.H. and M.K. Memon, "The Cardiovascular response to some environmental stresses and their modification by exercise" from "New perspectives in beta-blockade: An international symposium", Scammon, Aarhus, Denmark, 1972, pp. 293-306.



This is the age of the train ➡

UK NEWS

Decline in British ship trade underlined

By William Hall, Shipping Correspondent

THE AMOUNT of UK overseas trade carried in British ships fell sharply last year. This is mainly due to the 11 per cent drop in the size of the UK fleet during 1979.

About 95 per cent of the country's trade (by weight) is carried by sea. Last year, UK imports rose by 3m tonnes to 157m tonnes, but the proportion carried by UK ships fell from 29 per cent to 27 per cent. In 1977, 33 per cent of UK imports were carried in British ships.

The volume of UK exports carried by sea rose by 18 per cent to 96m tonnes in 1979, but the proportion carried by UK ships fell from 37 per cent to 33 per cent.

The statistics are published in the latest issue of the UK Shipping Yearbook and are part of an annual series on the nationality of vessels in UK seaborne trade. They will serve to underline the growing official concern about the rapid decline of the UK fleet, which over the last five years has dropped by a fifth in size.

With the build-up of North Sea production, the UK is becoming a major exporter of oil. Last year 53m tonnes were exported compared with 30m tonnes a couple of years ago. However, UK ships carried only 25.6 per cent of oil exports compared with 31.9 per cent in 1977. Norwegian, French and German tankers have all increased their shares.

In the bulk and dry cargo trades, the decline of the UK shipping fleet has led to a reduction in the share of the trade carried by UK vessels. The share of bulk cargo imports has fallen from 31.6 per cent in 1977 to 24.2 per cent last year. Norwegian and Greek ships are carrying a larger share.

BP director
MR. ROGER BEXON, 54, has been appointed one of British Petroleum's four managing directors. He is senior vice-president, oil and gas, with the Standard Oil Company of Ohio (Sohio), BP's U.S. subsidiary.

Homes crisis
A SURVEY of Northern Ireland housing shows that 14 per cent of homes are unfit for habitation, more than three times the proportion in England.

Education plan
TALKS on the possibility of developing a distance learning system of technical education on the lines of the Open University are to be started by Mr. James Prior, Employment Secretary, during the next few months.

Tootal reorganisation will cut another 750 jobs

BY RHYS DAVID

TOOTAL is to reduce its workforce by 750 in a further reorganisation of the group's UK manufacturing operations. This brings to nearly 3,000 the number of redundancies announced by the group this year, and will reduce its British labour force to only about 4,000 compared with 20,000 five years ago.

The cuts affect group clothing and printing operations in Greater Manchester and Glasgow, and are being blamed on the familiar combination of weak demand, high interest rates and strong competition from imports as a result of the high value of sterling.

In shirts, production of which has recently been concentrated in Greater Manchester with the closure of two London factories, Tootal is proposing to consolidate warehousing and administration at its Newton Heath plant.

Stitching operations at New-

ton Heath will be discontinued, with the loss of 150 jobs, but 70 new jobs will be created at Newtown, Powys, where men's handkerchief production will be centred.

With the market in shorts weak, Tootal is also proposing to close a factory in Bolton, which makes own brand lines, with the loss of 118 jobs. One of the factory's major chain store customers has recently reduced its order for shirts by 40 per cent.

Tootal is also further reducing its activity in fabric printing, where there is strong competition from imports, particularly from Italy and the U.S. Its small Wallace commission print works in Glasgow which supplies the furnishing trade is being shut with the loss of 164 jobs, and the number of shifts is being reduced from three to one at Strines, in Marple, Greater Manchester, the company's main print works.

The group is also to rationalise production and staff levels at Engraving and Roller Services in Levenshulme, its speciality manufacturer of print rollers. Redundancies at Marple and Levenshulme will total 255.

A small sheet hemming factory in Manchester is to be closed. This process will be transferred to Tootal's Osman factory in Bolton, and another small subsidiary, International Cotton Waste, is to be closed with the loss of 20 jobs.

Tootal's closures add to a list of 30 mills shut in the north-west during the first eight months of this year. Another 23 are due to close.

● Rochester Shirt Company is to close its factory in Londonderry, Northern Ireland, next week with the loss of 180 jobs. About 30 warehouse and administration staff will be retained.

Final curtain for Merseyside co-operative

By John Elliott, Industrial Editor

ONE of the long-running sagas in Merseyside's industrial history ends tonight when the last members of the old Kirby Manufacturing and Engineering workers' co-operative lose their jobs.

It is eight years since they staged their first sit-in. The recession's impact on the engineering industry and on the industrial property market have proved too much for the factory's owners, IPD. It has decided to shut the premises and hope for better times.

The co-op's leaders, Mr. Jack Spriggs and Mr. Dick Jenkins have lost their jobs along with 16 other workers. Mr. Spriggs, 45, has been earning about £4,500-a-year as the site manager since January, having spent most of the previous decade as a militant shop steward and convenor.

For most of this year he and his colleagues have been trying to use the 480,000 sq ft factory for warehousing. They even managed to cash in on the British Steel Corporation's labour troubles earlier this year by providing storage space for some imported steel, but the business has not become profitable.

The co-op itself died—and 600 jobs were lost—in the summer of last year when its radiator manufacturing and other engineering activities went into liquidation.

An American machinery dealer then took a short lease on the factory, retaining Mr. Spriggs and others as the site's guardians, until January when he had sold all the machinery.

Now, only the Meriden motor-cycle venture survives, somewhat precariously, out of the three co-ops founded with the help of Mr. Anthony Wedgwood Benn, then Industry Secretary, nearly six years ago.

Ironically, the Labour Party is considering whether a future Labour Government should give workers the legislative right to oust their owners and managers and turn their factories into co-ops with the help of State aid. *Men and Matters, Page 22*

Suit over Hong Kong 'phone bill

By Our Hong Kong Correspondent

A LENGTHY dispute about how the revenue from long distance telephone calls should be split has led Cable and Wireless to sue the Hong Kong Telephone Company for HK\$32m (£2.7m).

The final sum in contention could be much higher, since the figure covers only what Cable and Wireless claims is in overdue payment for April. It does not include unsettled accounts for May, June and July, as well as interest and other costs.

Under the current arrangement for splitting the revenue, Hongkong Telephone gets 22 per cent of the rates accruing to the Hong Kong end of circuits operating over more than 100 miles. Cable and Wireless gets the balance which it must share with the overseas telephone services involved.

All international telephone traffic from Hong Kong increased by 41.5 per cent last year and the charges involved came to HK\$390m for the 12 months to March 31.

"It is clear that a disproportionate share of the revenue is lost to Hong Kong," a telephone company spokesman said.

Truck service economies 'threat to dealerships'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A STEEP drop in the number of trucks taken for routine servicing could have an adverse long-term impact on dealer networks.

Hauliers faced with increasing cash-flow difficulties are opting to take components from trucks laid up through lack of demand rather than have the vehicles still in use serviced in the normal manner.

Truck manufacturers have not had to face this problem before in the UK and Mr. Eric Krampe, managing director of Mercedes-Benz (UK), maintained yesterday that it would affect "the capability of the automobile industry to satisfy the customer in years to come."

Mr. Krampe said the recession had given dealers cash-flow and cost problems.

"This has happened often before," he said.

"What seems to be different this time is that the workshops are empty. That means that, in

addition to the other pressures, the necessary parts and services profits have vanished."

Many dealerships had become unprofitable as a result, he said. "They have stopped making investments, and even had to make skilled people redundant. Some have had to close."

This might rebound on hauliers when the market recovers—"in 1982"—because there would be fewer dealerships to offer truck servicing, and also a shortage of trained people.

"My estimate is that during the second half of 1981 the operators who try to switch cost pressures from now to some time into the future by not servicing and maintaining their vehicles will come back to the workshops."

It will be then—when the reputation of the manufacturer is at stake—that the ability of the organisation to cope with the suddenly rising demand for service will be decisive for

dealer, manufacturer and operator," Mr. Krampe said.

"Mr. Krampe maintained that it will be the ability of manufacturers to provide adequate service back-up during the next rise in truck demand that will decide future sales increases and market shares, not the current 'discount war'."

Price-cutting in the UK was "unhealthy since it must destroy long-standing loyal customers' confidence in dealer profitability, and limit the capability of an organisation to cope with the customers' needs in the future."

Mr. Krampe suggested that the effect of any heavy discounting was limited, because the purchase price of a truck accounted for only about 15 per cent of the total operating costs.

"It might help solve short-term cash-flow problems, but in the long run the real outcome is disastrous, particularly for the customer," he said.

Commercial vehicle sales drop

THERE WAS a 20 per cent drop in registrations of new commercial vehicles in August compared with the same month last year, according to statistics released yesterday by the Society of Motor Manufacturers and Traders, writes Kenneth Gooding.

The decline is expected to continue for the rest of the year. Some manufacturers are predicting a 12 per cent drop from last year's record level sales. By the end of August, registrations were down 9.3 per cent.

The deepening gloom was reflected yesterday in the decision by Seddon Atkinson, the heavy truck manufacturer at Oldham and Preston, to switch to a one-day working week next month.

Nearly every commercial vehicle assembly plant in Britain is working short-time. The exception has been the Ford factory at Southampton where Transit vans are made.

Meanwhile, imported vehicles are increasing their share of the UK commercial vehicle market. In August, they accounted for nearly 32 per cent of registrations, compared with 27.5 per cent in the same month last year. Importers captured 24.8 per cent of registrations in the first eight months of the year, compared with 23 per cent last year.

Price-cutting is widespread at the moment, and to some extent the relative improvement in the importers' position reflects their ability to offer larger reductions because of the

high value of sterling. The August total of 26,050 commercial registrations was 7,017 lower than a year ago. The January-August figure was down from 211,633 to 191,829.

Ford is the only UK-based manufacturer to increase its sales over the eight months, but its 1979 performance was distorted by a "hangover" from the long industrial dispute in the autumn of the previous year. Ford commercial vehicles were in short supply during early 1979.

Over the first eight months of 1980, Ford's registrations improved from 59,539 to 62,031. B.L.'s total was down from 47,383 to 38,707, and Bedford's from 39,267 to 28,466. Dodge Trucks' sales fell from 10,129 to 9,088.

Manufacturing investment falls

BY DAVID MARSH

A WIDENING gulf between investment, spending by the manufacturing and service sectors of industry has been highlighted by figures published yesterday by the Department of Industry.

The volume of investment by manufacturing industry fell by 5 per cent in the first half of the year compared with the final six months of last year. Spending by the service and distributive sectors was about 2 per cent higher.

The sharp drop in manufacturing spending reflects the far greater impact of recession on companies in this sector than on those in the service industries.

Comparing investment by

individual industry groups in the first half of this year and the second half of 1979, the biggest falls, of about 20 per cent in volume terms, were recorded by the iron and steel, textiles, leather and clothing industries.

Spending by the instrument and electrical engineering sectors fell by 16 per cent. Investment by the vehicles industry was down by 9 per cent and by mechanical engineering, shipbuilding and the metals goods companies by 7 per cent.

Spending by the chemicals group seems to have remained broadly flat since 1979. There was also little change among other sectors in the second half.

The overall figures for total

second-quarter industrial investment were hardly changed from the provisional estimates released last month. Manufacturing spending at constant 1975 prices was £902m, seasonally adjusted, £30m below the earlier estimate and 5 per cent below the first quarter.

There was an offsetting revision for investment by service and distributive industries (excluding shipping). This amounted to £1,490m at 1975 prices, £33m more than the provisional estimate and 3 per cent above the first quarter.

Yesterday's Department of Industry figures also confirmed the provisional estimate of a £900m drop in stocks by manufacturing industry, wholesaling and retailing in the first half.

GPs encouraged to buy computers

BY JASON CRISP

THE BRITISH Medical Association is encouraging doctors to buy computers for their surgeries.

In a report out yesterday the BMA urges a cautious and evolutionary introduction of computers into general practice which, at first, would probably only be used for the most basic record-keeping and the business management of the practice.

Doctors, and patients, would not have much contact with the computer at first, says the study. Doctors should not be expected to know how the equipment works or to learn how to type but merely how the machines as a business aid. Clinical staff would use the equipment.

The BMA does not believe manual records will disappear in the foreseeable future, because the small computers it thinks most suitable for family doctors cannot store enough data; nor does it see a need for a completely computerised record.

The study found that most GPs it questioned were strongly against having terminals connected to a central computer which would hold all the information from each practice within one area.

The type of computer the BMA is suggesting is increasingly used by small businesses and professional organisations.

The BMA study selected four main types of system which GPs

could buy. The first, costing less than £3,000, would run the basic business and administrative work of the practice and a register of the patient list and could probably be used for appointments.

A more complex system would enable GPs to keep registers on problems and diseases, repeat prescriptions, patients "at risk," medications records.

A third type of system would record medical information on the patients as they were consulted by their doctor and would be able to provide information on how drugs interacted.

A fourth—costing up to £200,000 and most unlikely to be used—would have the ability to search for records and conduct detailed analysis.

Hazel Duffy sees consciences apparently pricked

Goodwill is not enough for Consett

THE CONSETT steelworks the consortium the odds on it succeeding must be a lot worse than the 50/50 which Bill Sirs put on it this week. Why?

● First, of whom does the consortium consist? The only names that have surfaced so far are those of Mr. Logan, who works for Logica, a systems and consultancy group; Mr. John Carney, a researcher at Durham University shortly to start work as a development officer, with Consett urban district council; and Mr. John O'Keefe, who runs a scrap business in Gateshead.

A list of the other consortium members was submitted to the Department of Industry two weeks ago. However, it was admitted at the time that they had not necessarily committed themselves to putting cash into the venture.

Certainly these companies which have confirmed that they have been approached by Messrs. Logan, Carney and O'Keefe have said specifically that, while willing to give advice, they would not commit cash to steelmaking in the present climate.

This raises the question of how much money the con-

sortium could find. Mr. Logan says he could "lay his hands on £1.5m." But would that be enough to interest BSC? After all, if BSC was to allow a competitor into the market, would it not want reasonable compensation into the bargain?

● Secondly, who would buy Consett steel? The quality of Consett steel billets has been good but most of its traditional customers are being supplied from elsewhere.

According to a survey Mr. Carney conducted for the ISTE, 400,000 tonnes of Consett steel went to other BSC plants around the country. Another 350,000 tonnes went to a variety of customers, many of them steel-processors.

The largest customer on this list was Darlington and Simpson rolling-mills, half-owned by BSC, which says it is being supplied from other BSC sources. Other customers—Manchester Steel and GKN for example—have also moved to other sources. The consortium would have to win back these customers as well as finding many new ones, to replace the BSC outlet.

Mr. Logan says this could be done by winning back those

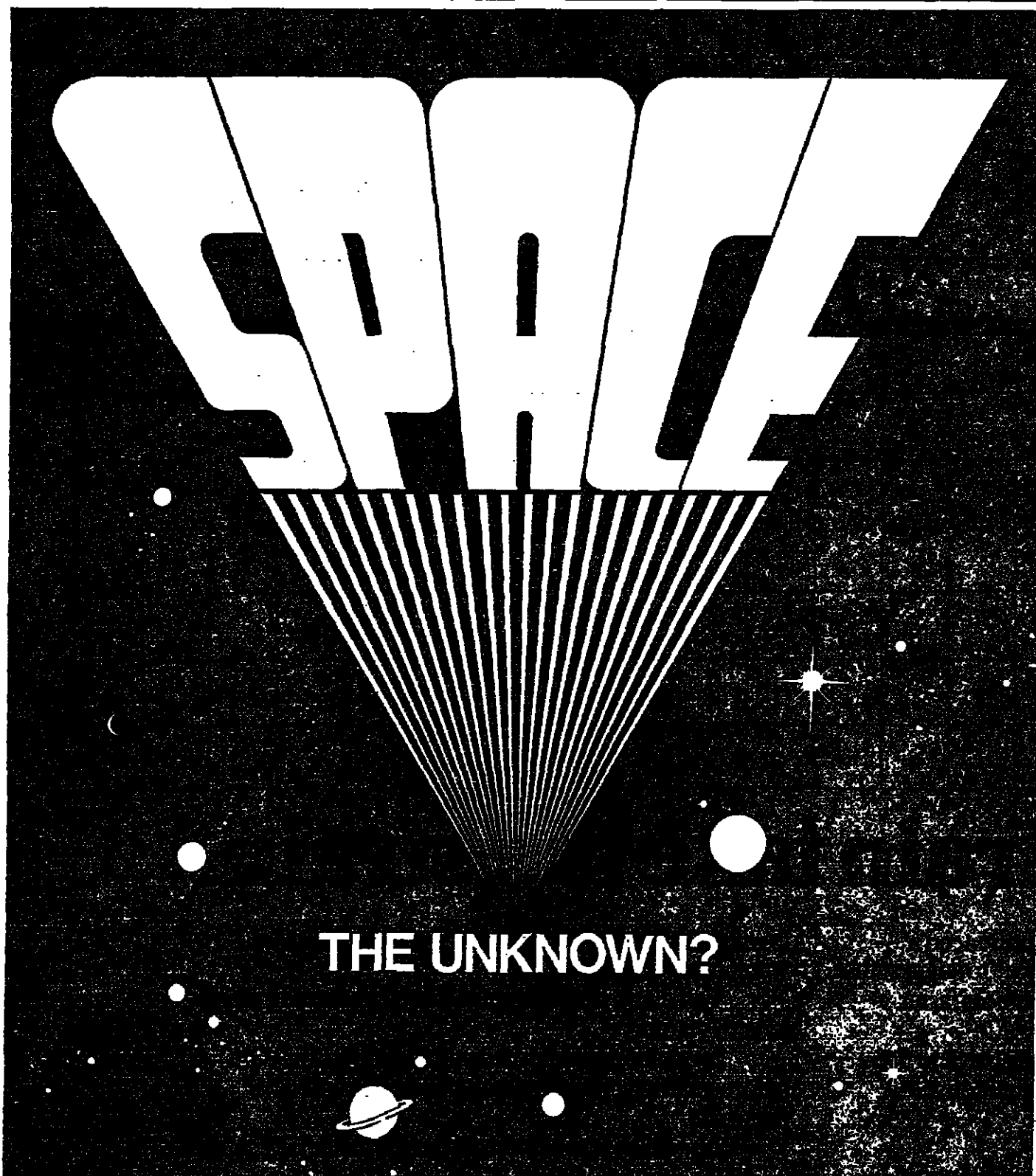
markets which BSC lost to imported steel and by exporting more aggressively. This might be possible through a productivity agreement which it plans to conclude with the unions. The agreement involves the loss of 800 jobs, which would bring productivity up to West German standards.

In the event of the plan progressing, however, would Consett workers be convinced that this consortium could offer them a long-term future?

To know the social catastrophe presented by the Consett closure is to understand the reason why BSC agreed to meet the consortium.

Sir Keith is also known to have been particularly worried by Consett, although in offering "support" without financial help he is doing no more than confirming the Government's expressed desire to see the private sector playing a bigger part.

But from this point to that of a successful takeover by a consortium of well-meaning businessmen is a very big step. It would be foolish to raise the hopes of Consett too high.



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National Express reduces coach fares

By Lyndon McLean

MORE THAN 70 stand-by express coach fares—ranging from £1 to £6 single—for journeys between towns throughout England were announced yesterday by National Express, part of the state-owned National Bus Company.

The £1 fare will apply on the Liverpool to Manchester coach route, where the fare is £1.95. It will take effect on Sunday, as will the other new fares.

The British Rail single fare on the route—before today's expected increase of 20 per cent—is £2.11.

The action by National Express to reduce fares and improve inter-links between its services from different parts of the country—with cuts of up to 90 minutes in journey times—comes a day after the British Coachways consortium of private operators announced a £2 single fare on the London to Birmingham route.

British Coachways, which includes the Wallace Arnold group and five other independent coach companies, plans to start its cheap fare services on October 6. This is when licensing arrangements for express coach operations are to be relaxed under the Transport Act 1980.

Mr. John Birks, the controller of National Express, said the change in legislation had contributed to its decision to reduce fares.

But he also said the impact of the recession had made the company cut fares.

But National Bus Company had already started a "market analysis project" before the Government introduced its plans to de-regulate coach operations.

The project showed that the company had scope to reduce its fares and increase passenger volume.

European military balance 'shifting to Warsaw Pact'

FINANCIAL TIMES REPORTER

THE EAST-WEST military balance in Europe is in general moving steadily in favour of the Warsaw Pact. But NATO defences are still powerful enough to make military aggression "appear unattractive" to the East.

These are two of the main conclusions drawn by the International Institute for Strategic Studies in its latest annual assessment of the military balance, published in London this week.

It is still too early to say whether NATO's long-term defence programme, designed to counter the shifting balance, will in fact produce the greater readiness and savings through co-operation that are called for, the institute says.

But the objectives are relatively limited in scope, could be attained in practice for the small increases in budgetary outlays to which most Alliance members have committed themselves up to 1980, and should serve to redress the worst of the imbalances, according to the institute.

The Warsaw Pact's advantage in European "theatre" nuclear

weapons will become more pronounced in the next few years, the report adds. Not until Nato begins to deploy its American Cruise and Pershing missiles in 1983-84 can any substantial increase in its capability be expected.

The institute makes no predictions about the likely success of East-West negotiations on limiting "theatre" nuclear weapons, which could get off the ground as early as next month. But it says the West's political will to introduce the weapons and to modernise in general may be difficult to sustain in the face of domestic and economic difficulties besetting the Alliance.

NATO defences are still of such a size and quality that any attempt to breach them would require a major attack, the institute believes.

The overall strategic balance between the U.S. and the Soviet Union, as well as maritime forces, must also play a vital part in the equation.

But while NATO has emphasised quality, particularly in equipment and training, to offset numbers, this is being

matched by the Warsaw Pact. New technology has strengthened the Alliance's defences, but it is increasingly expensive.

"If defence budgets in the West are maintained no higher than their present level and manpower costs continue to rise, the Warsaw Pact may be able to buy more of the new systems than NATO. Soviet spending has been increasing steadily in real terms for many years. Furthermore, technology cannot be counted on to offset numerical advantages entirely," the report says.

In an analysis of the European "theatre" nuclear balance, the institute concludes that the Warsaw Pact has an overall superiority in the number of nuclear warheads that would arrive on target in a retaliatory second strike of the order of 3.1 to 1. But if American submarine Poseidon warheads are included in the NATO side, the ratio drops to about 1.5 to 1.

The Military Balance 1980-81, International Institute for Strategic Studies, 23 Tavistock Street, London WC2E 7NQ. £5.

Demand for oil products shows 14% downturn

By Ray Dafter, Energy Editor

DEMAND FOR oil products fell by 14 per cent in the first six months of this year, according to Institute of Petroleum figures.

The amount of product delivered in January-June was 41m tonnes, almost 7m tonnes less than a year ago. The industry reports that the fall in demand has resulted from low economic activity, high prices and conservation measures.

Of the major products, fuel oil at 10.7m tonnes showed the largest fall, a yearly decrease of 30 per cent. Fuel oil demand was hit not only by the economic situation but also by the switch to a higher coal burn by the Central Electricity Generating Board.

Transport fuels showed a slight increase. Sales of aviation turbine fuel rose by 2.9 per cent, petrol deliveries increased by 2.8 per cent, and Derv demand went up by 2 per cent.

Natural gas production totalled 16.1m tonnes, 14.2 per cent less than in the same period last year.

Martin Dickson said: Saudi Arabia's decision to raise its oil price from \$28 a barrel to \$30 is unlikely to lead to immediate increases in UK products' prices.

Many of Britain's oil companies do not rely on Saudi crude and those that do—namely Esso, which relies on the country for some 40 per cent of its UK oil requirements—are unlikely to raise prices in present stock market conditions.

BP Oil raised the price of pink paraffin by 2.6p a gallon from midnight and attributed this to an increase in the costs of producing this particular fuel.

Companies in south plan extra staff, says survey

BY JAMES McDONALD

HALF OF nearly 30 companies surveyed in the south and south-east of England have plans to recruit additional staff—in spite of the recession.

This is shown in a survey by Lock Management Personnel, recruitment and selection consultants. One company plans to recruit a large number of staff.

The survey, which excludes Central London, says areas of principal demand are: data processing, for systems analysts and programmers; engineering, for electronics engineers and technicians; production engineers and draughtsmen; and sales and marketing, for sales and service engineers and customer support staff.

Companies were finding difficulty recruiting analysts, programmers and visual display terminal operators in data processing, staff for drawing offices, and skilled shop floor operatives.

"This all seems to emphasise that the south east is less hard hit than the rest of the country, that there is a degree of confidence, and that despite high unemployment it is still as hard as ever to recruit in sufficient numbers people having specialist skills, be it in the office or on the shop floor," says the survey.

It says the lesson for this year's school leavers is to go to technical college, or attend other institutional courses in data processing and electronics.

The survey, primarily concerned with salaries, has found that most executives' salaries in the south and south-east increased by 20 per cent or more over the past year.

This may not apply to people who remained with the same employer during the period, says the survey. "But it is an indication that salaries generally accorded to employees in the categories covered have gone

ahead in the year, often as a result of people changing

Companies surveyed employed a total of 18,000 people. It was found that some sectors—particularly in engineering and design—benefited more than others. In those areas technical directors' salaries rose by up to 35 per cent over the year. A shortage of draughtsmen also led to increases of up to 25 per cent.

A national shortage of cost and management accountants skilled in defining and controlling manufacturing costs, together with a decline in the rate of student registrations in the past few years, resulted in salary increases of up to 35 per cent in this category, the survey found.

Salary Survey for the South and South East Region, Management Personnel, York House, Chertsey Street, Guildford, £25.

Toshiba may follow Nippon lead

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT is optimistic about the possibility of attracting more microelectronics investment to Scotland following the decision by Nippon Electric to set up a £40m integrated circuits plant at Livingston New Town.

Mr. Alex Fletcher, Scottish Industry Minister, said yesterday that U.S. and other Japanese companies had shown interest in establishing plants in Scotland. He would be following up leads during a visit to the U.S. this month.

Mr. Fletcher lunched yesterday with a study team from Toshiba, the Japanese electronics group which is looking at Scottish sites, but he de-

clined to name other interested companies.

Nippon's decision establishes Scotland as one of the main centres in Europe for the production of microchips. There are already three major U.S. manufacturers—Motorola, National Semiconductor, and General Instruments—and all are expanding their capacity.

Scotland competed with the Irish Republic for the Nippon plant, which will create 800 jobs by 1984, but neither the Government nor the company will reveal the level of financial assistance offered by either the British Government or the Irish Development Authority.

However, Mr. J. A. Morrison, managing director of NEC Electronics UK, the sales and marketing subsidiary of Nippon, said the level of grants offered had not been the most important factor in choosing the location.

Nippon had decided against building the plant in Ireland, where it already has a microchip factory near Dublin employing 300 people, because of a shortage of skilled labour.

The plant, which will make advanced memory and microcomputer circuits, will have a capacity of 3m units a month when it reaches full production. It will begin assembling chips from imported components in 1982 and will move to wafer fabrication by early 1984.

Liverpool Daily Post is threatened

BY GARETH GRIFFITHS

THE LIVERPOOL Daily Post and Echo is to present a major programme of economies to its unions on Monday in an attempt to keep the Daily Post, its morning paper, open.

The company said yesterday that the Daily Post, one of Britain's longest-established morning provincial papers, would have to close unless "major cost reductions" were achieved. Both unions and management were reticent about possible cuts yesterday, but a 20 per cent reduction in staff across the company is believed most likely.

In a statement accompanying the Post and Echo half-yearly results, the directors said the papers had been trading at a significant loss every week in the third quarter of the year. The costs of both papers were far too high, and the statement put part of the blame on the National Graphical Association's three-week strike at Liverpool in May.

Both papers have suffered from the economic depressions of their circulation areas. Classified advertising has been very low although rates were increased sharply at the end

of July. The Daily Post's circulation is about 68,000, and that of the Liverpool Echo about 220,000. The equivalent figures for July to December last year were 75,000 and 240,000.

It is the Daily Post, the flagship of the newspaper group, that is the more vulnerable. The paper has two editions, for North Wales and Merseyside, the latter suffering the larger drop in circulation.

The company said closure of the Daily Post would be a last resort.

Company report, Page 28

Insurance, pension funds increase holdings abroad

BY ERIC SHORT

INSURANCE COMPANIES and private-sector pension funds increased their holdings in overseas equities by more than £200m in the second quarter of this year, according to the latest edition of British Business, published by the Departments of Industry and Trade.

The insurance companies made a net new investment for their long-term funds of £105m in overseas equities, compared with £85m in the first quarter, while private-sector pension funds newly invested £114m net in these equities.

Net investment in UK equities in the second quarter by insurance companies and pension funds amounted to more than £300m. The long-term funds of insurance companies increased their UK equity portfolios by £176m, while general insurance funds invested £15m and private-sector pension schemes a total of £134m in this sector.

Property investment in the period by these financial institutions amounted to nearly £250m net, of which long-term insurance accounted for £176m, general insurance funds £13m, and private-sector pension schemes another £55m.

The net investment in the gilt market was nearly £700m in the second quarter, but there was considerable switching between the short- and long-dated stocks.

Long-term insurance funds disinvested themselves to the sum of £124m from short- and medium-term stocks—under 15 years—and invested £545m in long-dated stocks for a total net investment of £421m in gilts.

Similarly, pension funds sold £65m of short and medium gilts and bought £241m in long-dated (over 15 years) stocks. Long-term insurance funds increased their liquidity by £78m to £1.52bn in the quarter, while general insurance funds added £81m to their cash holdings for a total of £1.18bn.

Olivetti to offer computer range

OLIVETTI, the Italian office equipment group, yesterday announced the formation of Olivetti Computers (UK) to market a machine made by Hitachi of Japan and a range of computers which it claims offer better value than those of International Business Machines.

The machine built by Hitachi processes instructions at the rate of 10m a second, and costs about £1m less than an equivalent IBM machine. IBM is the dominant supplier, with over 50 per cent of the world market for computers.

Computing services

STEPHEN HOWE Consultants of New Malden, Surrey, has pointed out that it, in addition to the seven software houses mentioned in our survey of computing services on September 17, has been assessed to the highest level of Ministry of Defence quality assurance, Defence Standard 05-21. We apologise for the omission in the original article.

M3 rises by 2.9%, M1 by 0.2%

BY OUR ECONOMICS CORRESPONDENT

STERLING M3, the broadly-defined money supply, rose £1.82bn, or 2.9 per cent, in the month to mid-August. The Bank of England said yesterday this rise was substantially inflated by more adjustments following ending of corset controls. Sterling M3's underlying growth in July-August is estimated at 1.3 per cent.

M1, the narrowly-defined money supply, rose by £60m, or 0.2 per cent, in the month to mid-August, continuing the recent trend of small monthly rises.

Domestic credit expanded by £2.02bn last month. The main influence was central Government borrowing of £2.05bn, about a quarter of which was for lending on to the rest of the public sector.

A large part of this borrowing was offset by purchases of central Government debt, of £1.2bn, by financial institutions, and by the public. Sales of gilt-edged stock to the non-bank private sector amounted to £981m.

Bank lending in sterling to the private sector was £864m, seasonally adjusted. When account is taken of a reduction of £360m in the level of bank acceptances held outside the banking system, and other special factors, the underlying growth in lending remains much as it has been in recent months.

As in July there was a big increase, of £362m, in bank lending in sterling to overseas

borrowers. This may represent a continuing post-corset adjustment in the banks' Euro-sterling operations.

External and foreign currency finance was again a small contractionary influence on the money supply—at minus £122m. The large current account surplus at present has tended to reduce the rather larger negative external influences seen in recent months.

MONEY AGGREGATES (£m)

	Money stock M1	change	sterling M3	change	Bank lending in sterling	change	Domestic credit expansion	change
1980		%		%		%		%
January	+49	+0.2	+485	+0.9	+1,378	+738		
February	-411	-1.5	+330	+0.4	+502	+270		
March	+304	1.1	+302	+0.5	+433	+716		
April	-105	-0.4	+216	+0.4	+1,546	+702		
May	+115	+0.4	+1,249	+2.2	+369	+1,147		
June	-297	-1.1	+447	+0.8	+438	+1,349		
July	+976	+2.6	+2,254	+2.5	+2,379	+3,482		
August	+66	+0.2	+1,816	+2.9	+864	+2,016		

All figures seasonally adjusted.

* Lending to UK private sector.

Source: Bank of England.

Torpedo test vehicle developed

BY DAVID FISHLOCK, SCIENCE EDITOR

A TORPEDO-LIKE test vehicle controlled by computer has been developed by the Ministry of Defence to explore ideas for anti-submarine weapons.

The vehicle, called TVX, is being prepared for its first sea trials later this year. It will be used to test parts of the controversial Sting Ray lightweight torpedo, the anti-submarine weapon controlled by micro processors which the Navy and Air Force plan to put into service in the next few years, as well as developments in heavyweight torpedoes.

TVX has been developed over the past four years by the weapons laboratory of the Admiralty Underwater Weapon Establishment at Portland near Weymouth, at a cost of "a few million pounds," says Miss Betty

Killick, in charge of the laboratory. With the help of a Sperry Gyroscope as prime contractor, the scientists have acquired the hardware for three TVXs, although they plan to assemble only one at a time.

TVX is the size and shape of a heavyweight torpedo—21 inches diameter and 21 feet long—and weighs 2,500 lbs.

Instead of a warhead it has a large luggage compartment in the nose in which experimental payloads can be bolted—homing, fuzing (triggering) or attitude sensing systems, for instance. It can also test propulsion system for torpedoes.

The development reflects a growing awareness of the threat of submarine attack. Russian submarines, once noisy and

relatively easily detected, are quieter as well as greatly improved in performance.

TVX is designed for speeds at least half as fast again as the fastest craft a torpedo is expected to pursue. Its speed can be varied from about 28 to 60 knots through remote control of its gas turbine engine and jet-pump propulsion system.

A scientist drives TVX from a computer console aboard the launch vessel, through a guide wire more than 4½ miles in length. TVX's own on-board computer controls its speed, attitude, and safety factors. It has a 3-D tracking system and can carry data recorders, but will normally transmit data continuously through the guide wire for analysis on board the mother vessel.

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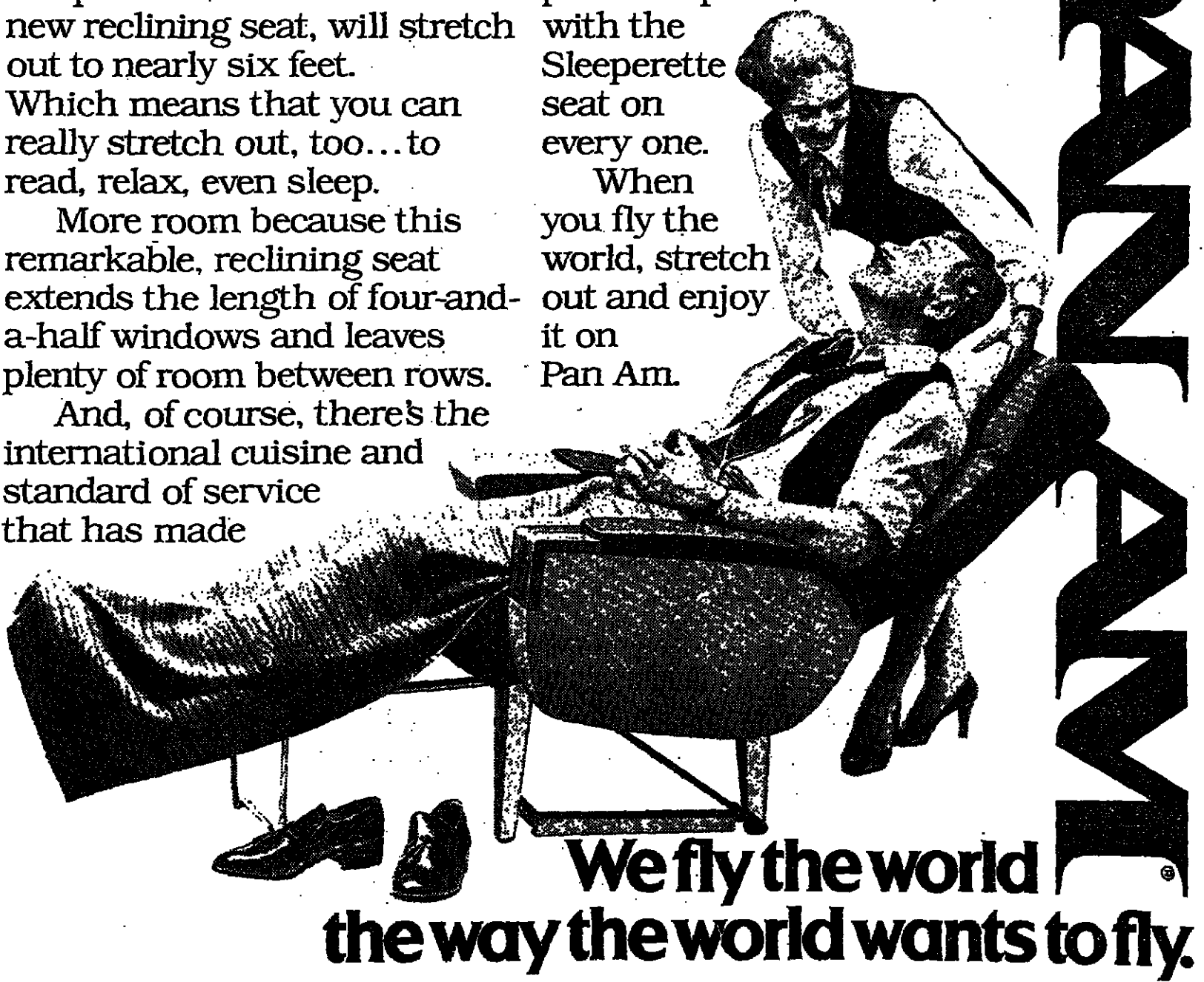
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Electricians set to extend reach into steel industry

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE ELECTRICIANS' union is poised to extend its reach into the steel industry.

The result of a ballot among members of the 12,000-strong Steel Industry Management Association, to be announced today, will show a vote of around three to one in favour of a merger with the white collar section of the Electrical and Plumbing Trades Union.

This will swell the ranks of the section, the Electrical Engineering Staffs Association, from 40,000 to 52,000, and bring membership of the EPTU to over 430,000.

It could also bring some disturbance in industrial relations in the steel industry. Mr. Bill Sims, general secretary of the main steel union, the Iron and Steel Trades Confederation—which has hoped to attract SIMA—has spoken of a further fragmentation in the industry.

SIMA will become an autonomous unit within the EPTU's white collar section, itself largely autonomous. Mr. Robert Muir, SIMA general secretary, will become national officer for the unit.

The EESA conference, which ended yesterday warned other unions in the health service that they could not expect support from electricians unless EESA, which represents a number of hospital engineers, is given negotiating rights.

The bulk of hospital engineers are represented by the National Association of Local Government Officers, NALGO engineers delegates are meeting today to decide whether to ballot the membership on industrial action over a 14 per cent pay offer which they have rejected.

Mr. Tom Rice, national officer of EESA, said yesterday

that previous industrial action by engineers in the health service had depended on the support of the electricians. He said that moves to achieve recognition for the EESA engineers through the TUC and the Advisory Conciliation and Arbitration Service had failed.

The conference also called for private medical schemes to be extended to industries other than the electrical one.

A "truce" has been agreed between the EESA and the 9,500-strong Association of Management and Professional Staffs, whose major strength lies in ICL.

Under its terms, agreements with employers will require recognition of both unions in bargaining arrangements. It also allows managers a free choice of which union to join, though recruitment will be limited to specific technologies.

Agreement in Express dispute

By John Lloyd, Labour Correspondent

THE DAILY EXPRESS and Daily Star were printed in London last night after two days' absence. The papers' machine minders have accepted a new contract stipulating extra overtime working.

Lord Matthews, chairman of the Express group and chief executive of Trafalgar House, the group's owner, agreed that he had taken a strong line with the print unions in the two disputes which have kept the Express and the Star off the streets for five days out of the past ten.

The most recent dispute concerned a new contract, said to have been agreed between union officials and management, to allow extra printing time on the Express.

Members of the National Society of Operative Printers, Graphical and Media Personnel in the machine room had refused to accept the agreement until yesterday.

In last week's dispute, members of the National Graphical Association working on linotype machines had refused to move to a new system of piecework payment. After a three-day stoppage, they accepted the new system.

Lord Matthews said the results of both disputes in which he was involved closely, made him hope that it was possible to establish better industrial relations in Fleet Street.

He said the decisions to move to new payment systems and to extend printing times, together with the decision to cut back on the London editions of the Star, were part of a drive for economies throughout the Express group.

He said there was "too much easy money going about. When things are very difficult you really must crack down on that."

Talks seek end to BBC strike

By Gareth Griffiths

TALKS WERE taking place last night at the Advisory, Conciliation and Arbitration Service's London headquarters aimed at solving the week-long BBC craftsman's strike which has halted several television productions.

The talks were held at the instigation of ACAS which invited both sides to meet its officials on Wednesday night.

Bitter row likely over Chapple move

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. FRANK CHAPPLE, general secretary of the Electrical and Plumbing Trades Union, will be at the heart of a bitter confrontation at the TUC's general council meeting next Wednesday.

He confirmed yesterday that he had been voted off the TUC's powerful finance and general purposes committee by a six to two majority of the group which selects the membership of all TUC committees.

But he said he would wait until the general council meeting—the first since the TUC Congress—before commenting. Mr. Chapple is not convinced that the group's decision will be upheld by the general council, whose ratification of it is necessary, though usually formal.

He also believes the unpopularity he has attracted, especially over his fierce criticism of the general council's proposed trip to Poland, is less because he disagreed, but because the agreement was made public.

At the same general council meeting, he will face questions from fellow council members over his union's position on the Isle of Grain power station site.

Mr. Chapple and Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers engineering section, will have to answer for their decision to sanction the use of labour from their unions and others in jobs on the site traditionally reserved for the Transport and General Workers Union.

The motion to deprive Mr. Chapple of his seat on the Finance and General Purposes Committee came from Mr. Moss Evans, general secretary of the Transport and General Workers Union. Mr. Evans believes Mr. Chapple has been disloyal to the TUC for long enough.

He believes that disagreement should go so far, but that the TUC should aim to achieve a consensus. Mr. Evans' move may be seen as an attempt to establish his power among his TUC colleagues as the leader of the country's largest union.

It is unusual for the group selecting the TUC committees, which is drawn from the F and GP committees, to make controversial appointments or dismissals. Much struggling tends to come, however, after the committees are selected and they must elect a chairman.

Three-day week starts at Vickers Shipbuilders

BY JOHN LLOYD, LABOUR CORRESPONDENT

VICKERS SHIPBUILDERS, part of British Shipbuilders, will begin to put its workforce on a three-day week from next Monday as the effects of the eight-week old strike of boilermakers starts to bite.

The company announced yesterday that some 3,500 of its hourly-paid employees would work a three-day week on a rota system from next week. It said it wished to guarantee a weekly wage to its employees, even though it was a reduced one.

The strike of the 1,300 boilermakers concerns a demand for equality of payments. The workers say Vickers had offered higher payments to some than others, payments which were outside the British shipbuilders' national agreement.

Mr. George Alleywell, the Boilermakers' Union district official, said yesterday that no talks had been fixed between the company and the union.

Vauxhall men accept 8%

MORE THAN 22,000 Vauxhall shop floor workers have finally agreed to accept the management's "British Leyland style" 8 per cent pay offer without a fight.

Agreement came when 7,500 men at the company's Ellesmere Port plant in Cheshire yesterday voted to accept "reluctantly" the deal. Only a few days ago, the men voted to reject the offer, already accepted at Vauxhall's Luton and Doncaster factories.

Since the start of the month, the Ellesmere Port men have been working a "week-on, week-off" system because of high stocks.

New Marina Development Opportunity Kingston upon Hull

Kingston upon Hull City Council has embarked upon a major renewal scheme in an area close to the city centre, known as the Town Docks Estate, occupying about 30 acres.

The principal feature of the estate is three enclosed 19th Century docks, formerly the centre of the port's shipping activity.

Two of the docks, Humber and Railway, are to be developed as a Marina with moorings for up to 400 craft plus all the services associated with a modern yacht harbour.

The City Council is seeking a commercial partner with a successful record in marina operations and their development who can quickly bring investment capital and technical expertise to the project, upon which essential site works have begun, supported by Government grant.

This is a rare opportunity to extend sailing facilities on the east coast in a city which is currently experiencing considerable investment and exciting new commercial development.



For more details contact:
 J. A. Higginson, F.R.I.C.S.,
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 76/78 Lowgate,
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 HU1 1HL. Tel: (0482) 222604

Backing for Labour changes

BY PAULINE CLARK, LABOUR STAFF

THE ALLIANCE between the Transport and General Workers' Union and the Left of the Labour Party has consolidated by the union supporting the view that an electoral college should have the final say on the Labour manifesto.

The TGWU is the party's biggest union affiliate. Its executive has also fallen in with growing support among trade unions that the party leadership should be elected from a college composed of a third representation by the Parliamentary Labour Party, a third by the constitu-

ties and third by trade unions—instead of 50 per cent party and 50 per cent trade unions as proposed by the internal commission of inquiry.

On this issue, the union has lined up with recent decisions by the Association of Scientific, Technical and Managerial Staffs and the Confederation of Health Service Employees.

In the TGWU's view the manifesto should thus be formulated by the conference, passed through the party's executive and finally be approved by the electoral college, in order to improve accountability.

TGWU to lobby for import curbs

BY PAULINE CLARK, LABOUR STAFF

THE Transport and General Workers' Union yesterday launched a campaign to persuade the Government to adopt selective import controls. It sees the controls as essential to achieve full employment.

A booklet published by the union sets out a ten point charter urging the Labour Party and trade unions to exert the maximum pressure on the Government to include planned trade in a strategy for economic expansion.

Mr. Moss Evans, general secretary of the TGWU, launched the booklet entitled Control Imports Now with a call on the Government to adopt a range of remedies including quotas, tariffs and surcharges to combat the worst effects of import penetration.

He announced that the union was organising a mass lobby to coincide with the Prime Minister's address at the Conservative Party conference in Brighton next month.

The purpose of the lobby was to emphasise the problem of unemployment. It would be led by executive members who had been made redundant from their jobs, including Mr. Stan Pemberton who worked in the rubber industry in Merseyside, and Mr. Eddy McGarry who worked at BL's Triumph plant.

Mr. Evans said that every increase of 1 per cent in overall imports penetration resulted in the loss of 200,000 jobs.

The union was also calling for fuel subsidies to industry and urging Government action on interest rates and on the exchange rate.

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UK NEWS

Bleak prospects for the jobless

BY ROBIN PAULEY

PROSPECTS FOR the unemployed are worse than at any time since the early 1980s and this could lead to violence in the streets, says the Supplementary Benefits Commission in its final annual report.

The report says few forecasts expect the situation to improve before 1984, and implications for the long-term unemployed are "distressing".

The picture in some parts of the country is already frightening. The recent narrowing of regional variations had obscured extremely high unemployment levels in some urban areas in even the most prosperous regions — 9.2 per cent in London's docklands and 9 per cent in inner Birmingham.

The report says it is argued that unemployment does not cause severe hardship in the 1980s because of the number of two-income families.

But studies confirmed that most men who became unemployed were poor before they lost their jobs. A higher-than-average number of jobless men do not have a working wife.

People who remain unemployed should be entitled to earned and adequate incomes, the report says. At the moment, fewer than half get any insurance benefits and most of the rest have to turn to supplementary benefit.

"Some people believe cutting supplementary benefit would force the unemployed back to work. But the main reason that so many are out of work is that there are no jobs for them. Cutting benefit as an incentive to find work would be unjust, ineffective and politically inept."

The report says there is widespread belief that for many workers there is little advantage in working — the "why work?" syndrome. The Government probably had the support of the majority of the population in stressing this. But the facts showed that only a small proportion of unemployed (3 per cent) received more money in benefit than in work.

Similarly, the incidence of fraud and abuse was small. Failure to take up benefits was a greater problem because of hardship which could result.

"We must not forget that most claimants are honest and most of the unemployed are without work through no fault of their own."

Studied by the Manpower Services Commission showed that unemployment was likely to increase family tensions and violence. But the report says that the other social problems exacerbated by high unemployment could be expected to lead to tensions and violence beyond the confines of the family.

In view of the unemployment forecast it would be dangerously optimistic to assume that the recent riot in Bristol could not be repeated elsewhere," it said.

Long-term unemployment (of more than one year) would add to the dangers. The number of unemployed claiming supplementary benefit having been unemployed for more than two years rose from 66,000 in 1973 to 128,000 in 1979.

Starvation warning on dispute benefit

THE GOVERNMENT'S policy of curtailing payment of benefit to people involved in industrial disputes is almost certain to result in a tragedy, warns Professor David Donnison, chairman of the Supplementary Benefits Commission.

Discussing the report and the final days of the commission's work before it is replaced in November by the Social Security Advisory Committee, Prof. Donnison said the most worrying aspect of the future was the plight of the single person involved in a dispute. Families would continue to get some benefit so there would be a little money in the household. A single person would get nothing even if he were unable to work by being locked out. The commission was sure the government would have to change this policy but there was a real danger of somebody starving to death.

The section of the report dealing with strikers shows that since 1975 the number of people without dependants and receiving supplementary benefit during a dispute has never been higher than 400. Payment to

people involved in disputes, with and without dependants, cost £400,000 in 1976 and £3.3m in 1979.

Claims by strikers represent a very small proportion of the £3.5bn a year paid out in supplementary benefits. More than 80 per cent of strikers last year had two or more dependants, less than two weeks which is not long enough for benefit to become payable.

The report shows that last year the cost of administering the payments was about £320m. Of the 2,850,000 people receiving the benefit, 60 per cent were pensioners, 20 per cent were unemployed. A total of 1.5m dependants included 955,000 children in 488,000 families.

The average amount of benefit paid to pensioners with dependants was £8.51 a week and £27.75 to those without. Unemployed claimants received an average £10.65 if they also had unemployment benefit, and £25.79 if not.

Report of Supplementary Benefits Commission for the year ended 31 December, 1979; HMSO, £6.70.

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NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 45
With reference to the notice of declaration of dividend advertised in the Press on 20th August, 1980, the following information is published for holders of share warrants to bearer.

The dividend of 25 cents per share was declared in South African currency. South African non-resident shareholders' tax at 24.925 cents per share will be deducted from the dividend payable to holders of all share warrants coupons having a net dividend of 25.000 cents per share.

The dividend on bearer shares will be paid on or after 31st October 1980 against surrender of coupon No. 45 detached from share warrants to bearer as under:—

(a) As the office of the following continental paying agents:
Banque Paribas, 21 Rue Laffitte, 75008 Paris
Société Générale de Banque, 10 Boulevard des Capucines, 75001 Paris
Union Bank of Switzerland, Bahnhofstrasse 45, 8001 Zurich
Banque Internationale a Luxembourg, 2 Boulevard Royal, Luxembourg

Payments in respect of coupons lodged at the office of a continental paying agent will be made in South African currency to an authorized bank in exchange for the Republic of South Africa currency notes or coins, or by direct transfer to the account of the holder in a bank in the Republic of South Africa. Payment will be made in United Kingdom currency to the holder's bank in exchange for the continental bank's bank order.

(b) As the London Bearer Reception Office of Chester Consolidated United, 40, Holborn Viaduct, EC1P 1AJ, United Kingdom persons depositing their coupons at each office receive payment in kind to a bank in the Republic of South Africa. Payment will be made in United Kingdom currency to the holder's bank in exchange for the continental bank's bank order.

(c) In respect of coupons lodged prior to 17th October 1980, at the office of the London Bearer Reception Office, the dividend will be paid in kind to a bank in the Republic of South Africa. Payment will be made in United Kingdom currency to the holder's bank in exchange for the continental bank's bank order.

(d) In respect of coupons lodged during the period 17th October 1980 to 22nd October 1980, both inclusive, at the United Kingdom Bearer Reception Office, the dividend will be paid in kind to a bank in the Republic of South Africa. Payment will be made in United Kingdom currency to the holder's bank in exchange for the continental bank's bank order.

(e) In respect of coupons lodged on or after 23rd October 1980 at the London Bearer Reception Office, the dividend will be paid in kind to a bank in the Republic of South Africa. Payment will be made in United Kingdom currency to the holder's bank in exchange for the continental bank's bank order.

Coupons may be lodged at least four clear days for examination and may be presented any weekday (Saturday excluded) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office. Where such deduction is made, the net 25 cents or the dividend will be paid in United Kingdom currency to the holder's bank in exchange for the continental bank's bank order.

Amount of dividend declared:
Less: South African Non-Resident Shareholders' tax at 24.925%
25.000
2.4925
22.5075
Less: UK income tax at 20.03% on the gross amount of the dividend of 25 cents
4.5075
17.9999

For use on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries:
J. C. GREENBURY
25 Holborn Viaduct, London EC1P 1AJ

18th September 1980
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De Beers

De Beers Consolidated Mines Limited

PROPERTY MARKET BY ANDREW TAYLOR

West Midlands feel the pinch

THE WEST MIDLANDS industrial property market has begun to look a little sick as the recession among engineering companies bites deeper into the heart of the country's manufacturing base with plant closures occurring at the rate of almost one a week.

Commercial agents operating in the region now have more empty industrial premises on their books than at any stage since the 1974/75 property market collapse. The effect is being reflected in some cases by lower asking rents and special deals being offered to potential tenants.

Only this week one of the largest tracts of industrial land ever offered for sale in the West Midlands was withdrawn from auction after bidders had failed to meet reserve prices.

The 157-acre site at Marchington, Staffordshire had been offered in five lots and included 1.3m sq ft of freehold single-storey industrial and commercial buildings plus another 98,000 sq ft of administrative accommodation. Ten months ago such an auction would have been expected to have been a success.

In the event the land was sold by private treaty to Lichfield Securities, a wholly-owned subsidiary of Evans of Leeds, the publicly quoted property company, for a price thought to be around £3m.

Grimley and Son which organised this week's auction said that it was disappointing to have to withdraw the five

lots, but it was clear that potential purchasers were anxious to await an indication of values before making their bids. It was: "a sign of the difficult times in which we presently live."

These difficult times have been marked by a sharp rise in the number of empty industrial properties coming onto the market as engineering companies retrench in the face of record interest rates and declining sales.

In addition the region, like many other areas of the country, has experienced a significant increase in new industrial building activity over the past two years. Edwards Bigwood and Bewlay, which is shortly to publish a West Midlands property report, estimates that there is presently around 2.2m sq ft of new unlet accommodation on the market, with a further 940,000 sq ft under construction, and due for completion, during the next 12 months.

Mr. Geoffrey Burcher, a senior partner at Edwards Bigwood and Bewlay in Birmingham estimate that the agents currently have around 50 per cent more industrial properties on their books than would normally be expected for this time of year.

King and Company, agents which specialise in industrial property, recently estimated that the total amount of vacant industrial space in the West Midlands had increased from 7.6m sq ft to 12.24m sq ft between April and mid-August

this year—a rise of more than 60 per cent.

Much of the older space that has become available in recent months is in the medium to large range, of between 10,000 sq ft and 30,000 sq ft—causing indignation in what was already a generally unpopular section of the market.

Rents now being asked for

THE first of a series in which the Property Column investigates the effect of the recession on the industrial property market. This week Andrew Taylor looks at the West Midlands.

some of these older properties are clearly less than might have been expected to have been achieved at the start of the year. There is also a greater incidence of special deals, such as rent free or rent reduced periods, being offered to reluctant tenants.

Although rents for newer premises are generally holding firm at around £2 to £2.35 a sq ft, there has even been some sales resistance here. A 10,710 sq ft factory on the Halesowen Industrial Park was recently advertised at a rent of £1.75 while at the same time quoting that "present rents are above £2.00 a sq ft."

While this may be an ex-

treme case it does illustrate the pressures on industrial property market is now facing in the West Midlands where levels of unemployment have risen sharply over the past year. Last month the percentage of workless unemployed in the region had risen to 9 per cent compared with just under 6 per cent a year ago.

Mr. Peter Thorncroft, partner responsible for industrial property at the Birmingham office of agents Elliott Son and Boynton says that a number of companies which may have been considering rationalisation for several years have now been pushed into plant closures by the recession and increasing financial pressures.

The strive for greater efficiency by engineering and manufacturing companies however may help underpin demand for new premises, particularly once the present building programme has drawn to a close. Here rents and capital values seem likely to remain reasonably firm in cash terms although after adjusting for the impact of inflation, rents even to new properties, have probably been declining since the middle of last year.

One bright spot for the region's industrial property market has been the continuing strong demand for small factory units sponsored in some cases by workers using redundancy money and savings to start up businesses in their own right.

To meet this demand a number of older larger pre-



mis have been sub-divided to provide accommodation for small businesses. This week William Sapcotes and Sons announced yet another such refurbishment scheme, this time in West Bromwich, where the company has acquired 50,000 sq ft of industrial property in Spon Lane: to be divided into units between 1,190 sq ft and 25,000 sq ft.

It would be wrong to suggest that the West Midlands industrial property market is in a desperate plight. Conditions although difficult are nowhere near as bad as in the 1974-75 property market collapse, and there is still strong investment demand from institutions for good well located properties.

However the property world is not insulated from the rest of the economy and given the strength of the manufacturing sector in the region it could be some time before the present difficult period comes to an end.

Even if much of the pressure on manufacturers was to be removed by a reduction in Minimum Lending Rate of several percentage points this autumn, some of the older premises now on the market seem likely to be around for some time.

British Land plays a waiting game

BRITISH LAND is keeping the stock market guessing about its intentions towards J. Hepworth and Sons, the multiple tailors, in which the property company has taken a stake of almost 5 per cent.

Mr. John Riblat, chairman of British Land, would say little more yesterday than that he regarded the stake as a "good investment" and that he had no immediate intention of mounting a take-over bid.

This would seem fair enough given that British Land is still digesting the recent acquisitions of United Kingdom Property and The Corn Exchange.

But it is undoubtedly Hepworth's property interests rather than its tailoring business that has attracted the attention of British Land. Hepworth, which recently announced the closure of three of its factories in the north of England, has the reputation of being a shrewd purchaser of retail properties.

Hepworth's properties, the bulk of which are freehold, are valued in the group's last accounts at around £87m but as the last independent valuation carried out by Hepworth was in August, 1977 this figure may be expected to substantially understate the true value of the properties.

However, this year has been a difficult time for retailers generally and, although trading at Hepworth stores is thought to have improved recently, pre-

tax-profits for the year ending August 31, 1980 are thought to have been some way below the £8.6m achieved in 1978-79.

Confirmation that British Land has acquired a 4.9 per cent stake in Hepworth prompted a 12p rise in the multiple tailors share price this week, to 94p at the start of trading yesterday, compared with a share price of 70p three months ago.

Mr. Riblat is not saying whether he intends to increase his company's holding in Hepworth and given British Land's reputation in recent years as something of a stockmarket trader, it is far too premature for bid speculation.

In the past the group has built up significant holdings in companies like City Offices and Churchbury Estates only to sell them at a profit shortly after acquiring the stakes.

One other ingredient to be taken account of in this rather intriguing situation is the fact that last year British Land sold its Dorothy Perkins women's wear chain to the Burton Group in a complex deal by which British Land raised £4.68m cash and retained the freehold of 74 Dorothy Perkins shops.

Mr. Riblat is clearly keeping his options open at the moment but British Land must already be sitting on a reasonable profit given that its shares in Hepworth are thought to have been acquired at prices some way below present market levels.

IN BRIEF

English Property Corporation is to sell its freehold shopping precinct at 103/123 Kilburn High Road, London NW8. The scheme which is fully let was completed in 1969. It comprises 35,000 sq ft of space at ground floor level plus a further 16,000 sq ft of first floor space. The development is being marketed by Conrad Riblat which is seeking an asking price of around £2.25m.

Cobden Commercial Properties in partnership with the Royal London Mutual Insurance Society are to carry out a £7,000 sq ft factory and office scheme on the site of the former Fidelity Radio factory fronting the 3141 in Old Street, Shepherd's Bush. The development, which is anticipated will command an investment value of £2.25m, is due for completion in 1981. Joint letting agents are Frank Harris and Co, and Midway Noble.

Prudential Assurance has paid almost £400,000 to acquire a prime freehold shop investment in the Shambles, Worcester, from Galford Brindley Properties. The property, which has been substantially refurbished, is let to the Shambles at an annual rental of £20,000 with five yearly reviews. The sale of the freehold handled by Grimley and Son in conjunction with Shipway Deble and Earle.

Bredero, the Dutch-based development company, has been selected by St Albans City Council to carry out the long-proposed Chequer Street shopping centre development.

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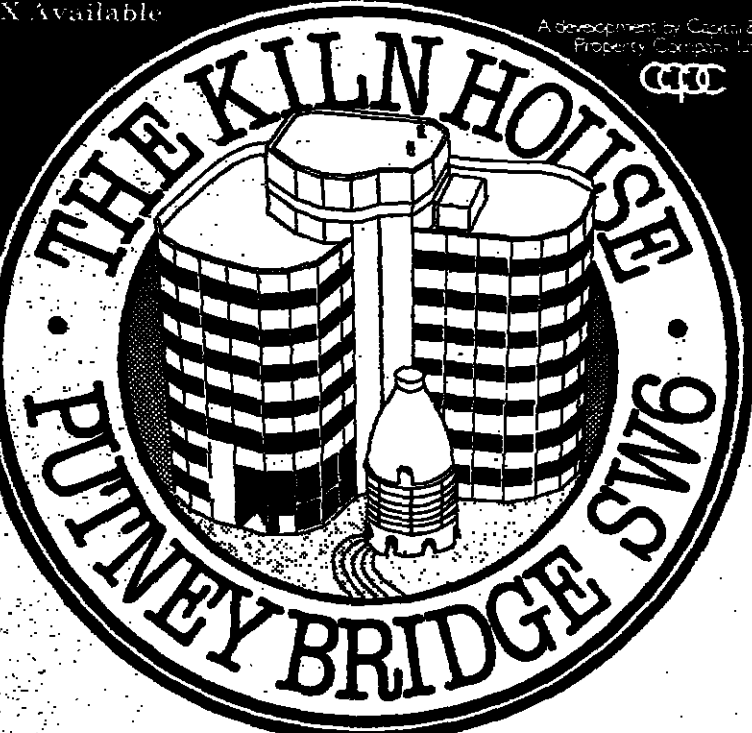
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APPOINTMENTS
**New National
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Five senior executives of the
National Freight Corporation
are among the directors of the
NATIONAL FREIGHT COM-
PANY announced by the Minis-
ter of Transport. Also appointed
to the board of the new com-
pany are the five present non-
executive directors of National
Freight Corporation.

Sir Robert Lawrence, chair-
man, and Mr. V. G. Paige, deputy
chairman, of the National
Freight Corporation were
appointed directors of the new
company by the Minister of
Transport when National
Freight Company was registered
on June 30.

The full board of the National
Freight Company is: Sir Robert
(part-time chairman), also a
part-time vice-chairman of
British Railways Board; Mr.
Paige (part-time deputy chair-
man), also part-time chairman of
Port of London Authority; Mr.
P. A. Thompson, deputy chair-
man, also chief executive,
National Freight Corporation.
Executive directors: Mr. S. R.
Hayward, group managing direc-
tor, National Carriers; Mr. J. D.
Mather, group managing direc-
tor, special trailers; Mr. J. K.
Watson, director of Finance,
National Freight Corporation;
and Mr. D. H. White, group
managing director, British Road
Services.

Non-executive directors: Mr.
P. S. Law, chairman of Varta
Alana and TWCA Groups and
director, B. Elliot and Co.; Mr.
P. G. Scott, member, construction
board of Sir Robert McAlpine
and Sons; Mr. J. E. B. Sieve,
director, Metal Box; Mr. P. H.
Spridell, director, Marks and
Spencer; and Sir Ronald Swayne,
chairman, Overseas Containers
and of Australia Japan Con-
tainer Line and a director of
Ocean Transport and Trading.

Secretary to the board is Mr.
P. A. Mayo, NFC's director of
legal services.

Under a Ministerial Order
made on September 11, 1980,
the assets, liabilities and
business of the National Freight
Corporation will be transferred
to the National Freight Company
Limited on October 1 and the
corporation will cease to exist.
This is a step in the imple-
mentation of the 1980 Trans-
port Act which provides, among
other things, for the intro-
duction of private capital into the
National Freight Corporation.

Mr. Nicholas Leigh, general
manager of the Overseas branch
of AMARI PLASTICS has been
appointed a director of the
company.

Mr. Richard A. Mould has
been appointed sales director of
AMSTRAD CONSUMER ELE-
CTRONICS.

Mr. S. A. Constance has been
elected by MANUFACTURERS
HANOVER TRUST COMPANY
as senior vice-president and
deputy general manager. He
will be officer-in-charge of a
newly established merchant
banking group which will have
responsibility for investment
banking activities worldwide.

The new group will include
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London, and Manufacturers
Hanover Asia, Hong Kong. The
New York investment banking
functions of the Corporate
Finance Department, M. H.
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asset management and a con-
solidation of the bank's project
finance activities. Mr. Constance
will continue to be based in
London.

Mr. W. Trevor Robinson, senior
vice-president and general
manager of London branch, will
remain responsible for all other
MHT units in the UK in addi-
tion to the branch at 7 Prince
Street. Mr. John L. McCarthy,
senior vice-president, will super-
vise the group in New York
reporting to Mr. Constance.
Assisting him will be Mr.
Kenneth R. Macmillan, vice-
president, who will head the
investment banking functions
now in corporate finance. Mr.
Garry Southern, vice-president
to supervise current MHT Limited
activities in New York, and Mr.
Patrick Wilmshurst, vice-
president, in charge of inter-
national asset management.

Mr. J. P. G. Blomfield has
been appointed a director of
JERSEY GENERAL INVEST-
MENT TRUST.

Mr. C. Bradford Kelly, vice-
president at the FIDELITY
BANK, joins the staff of the
bank's London office at 60/63
Grant.

Mr. Douglas W. Grant, an
executive director of ALEX-
ANDERS DISCOUNT COMPANY,
is to become managing director
of October 1 in place of Mr. Ivan
W. K. Smith, who retires at the
end of this month. Mr. Paul F. P.
Williams will be deputy to Mr.
Grant.

BANKERS TRUST COMPANY
states it will open a representa-
tive office in Belgrade, Yugo-
slavia, in November and will be
the first American-based bank to

Mr. Brian Simblist

have an office in that country.
Resident representative in charge
in Belgrade will be Mr. Brian V.
Simblist, vice-president, who was
previously assigned to the
Bankers Trust branch in London
with responsibilities for banking
relationships in Yugoslavia.

Mr. K. Swart has been
appointed chairman of the super-
visory board (Raad van Com-
missarissen) of ROYAL
BOSKALIS WESTMINSTER NV
of Papendrecht, Holland. He
succeeded Mr. L. E. J. Brouwer,
who remains on the supervisory
board.

Mr. C. H. Goldsmith, manager
for Scotland for the ALLIANCE
BUILDING SOCIETY, has been
appointed assistant general
manager (branches).

Mr. Delwyn D. Dennis, formerly
senior vice-president and
general manager, Canada Life
Assurance Company in the UK
and Ireland, has been appointed
to the Board of GOOD RELA-
TIONS CITY. Mr. Dennis is a
director of Canada Life of
Great Britain and Canada Unit
Trust Managers.

The board of POLYAMIDE
INTERMEDIATES, a joint
venture of Monsanto Limited
and Montedison (UK) for the
production of nylon inter-
mediate chemicals has been
reconstituted. Its directors are:
Mr. Eric Sharp (chairman),
Mr. R. O. Nelms, Dr. Franco
Pace, Mr. F. E. Reining,
Dr. Carlo Vannini and Ing.
Luciano Valardi. Mr. L. S.
Blackshaw is secretary.

Dr. Leo Wehrli has succeeded
Dr. A. Semadeni as management
chairman of WILD HEER-
BRUGG AG, of Heerbrugg. Dr.
Semadeni has retired.

Mr. David Padalaba has been
appointed commercial director
of RACAL-DECCA MARINE
RADAR following the retire-
ment of Mr. Charles Taylor. Mr.
Padalaba was previously with
Flesbury.

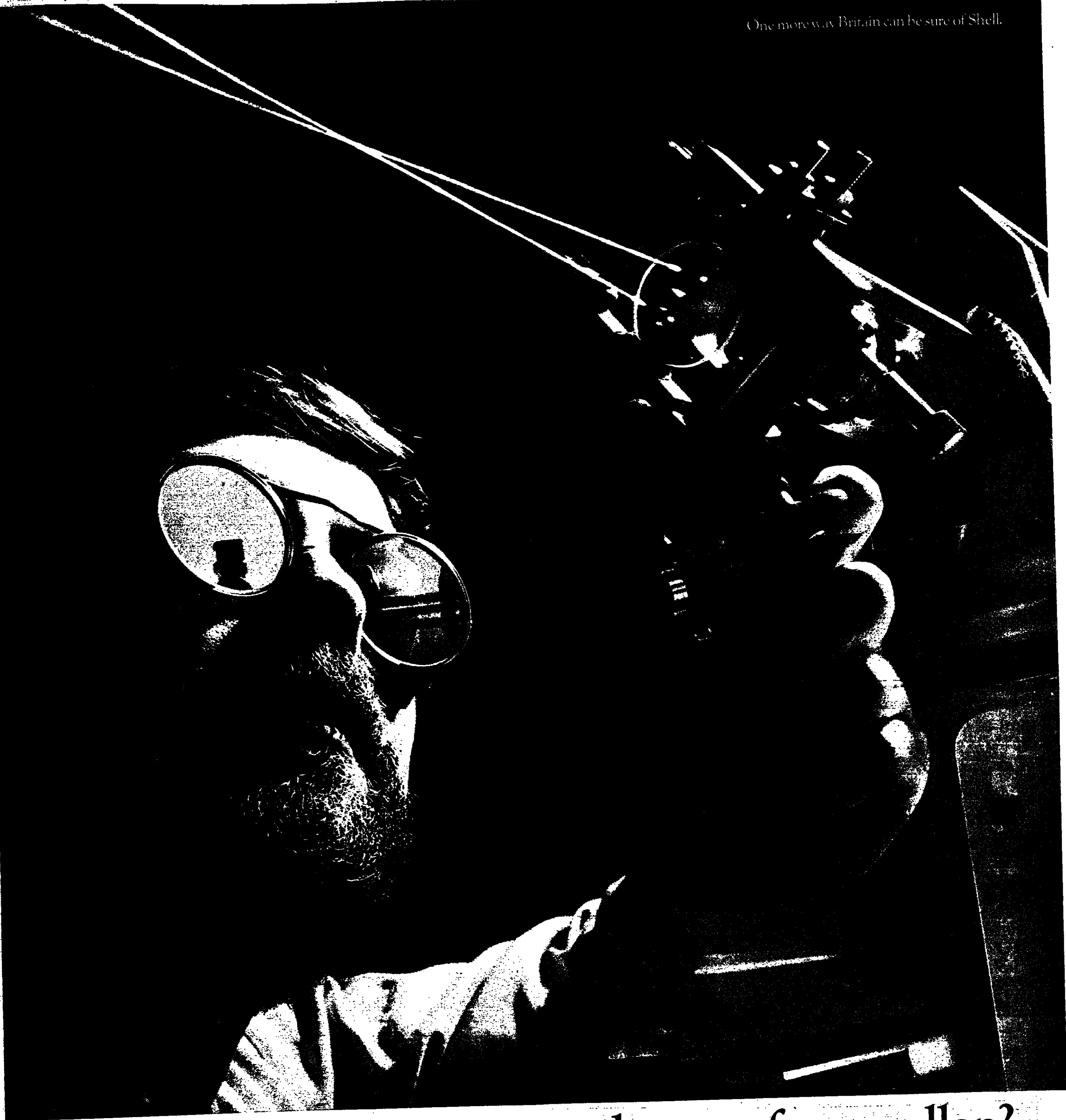
Mr. Dennis Pritchard has been
appointed managing director of
WELLMAN INCANDESCENT
and will continue as managing
director of member company
British Furnaces.

BASE LENDING RATES

A.B.N. Bank	18 %	Hambros Bank	18 %
Allied Irish Bank	18 %	Hill Samuel	18 %
American Express Bk.	18 %	C. Hoare & Co.	18 %
Anzco Bank	18 %	Hongkong & Shanghai	18 %
Henry Ainslie	18 %	Industrial Bk. of Scot.	18 %
A.P. Bank Ltd.	18 %	Keyser Ullmann	18 %
Arbutnot Latham	18 %	Knowles & Co. Ltd.	18 %
Associates Cap. Corp.	18 %	Langris Trust Ltd.	18 %
Banco de Bilbao	18 %	Lloyds Bank	18 %
Bank of Credit & Comm.	18 %	Edward Manson & Co.	18 %
Bank of Cyprus	18 %	Midland Bank	18 %
Bank of N.S.W.	18 %	Samuel Montagu	18 %
Banque Belge Ltd.	18 %	Morgan Grenfell	18 %
Banque du Rhone et de	18 %	National Westminster	18 %
la Tarnise S.A.	18 %	Norwich General Trust	18 %
Barclays Bank	18 %	P. S. Refson & Co.	18 %
Bremer Holdings Ltd.	18 %	Rosenminster	18 %
Brit. Bank of Mid. East	18 %	Ryl. Bk. Canada (Ldn.)	18 %
Brown Shipley	18 %	Schlesinger Limited	18 %
Canada Farn Trust	18 %	E. S. Schwab	18 %
Carter Ltd.	18 %	Standard Chartered	18 %
Cedar Holdings	18 %	Standard Chartered	18 %
Charterhouse Japhet	18 %	Trade Dev. Bank	18 %
Choulatons	18 %	Trustee Savings Bank	18 %
C. E. Coates	18 %	Twentieth Century Bk.	18 %
Consolidated Credits	18 %	United Bank of Kuwait	18 %
Co-operative Bank	18 %	Whiteaway Laidlaw	18 %
Corinthian Secs.	18 %	Williams & Glyn's	18 %
The Cyprus Popular Bk.	18 %	Wittrust Secs. Ltd.	18 %
Duncan Lewis	18 %	Yorkshire Bank	18 %
Fagel Trust	18 %		
E. T. Trust Limited	18 %		
First Nat. Fin. Corp.	18 %		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	18 %		
London Globe	18 %		
Greenland Guaranty	18 %		
Grindlays Bank	18 %		
Guinness Mahon	18 %		

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Committee:
7-day deposits 14%. 1-month
deposits 14%.
7-day deposits on sums of £10,000
and under 14% up to £50,000
12% and over £50,000 13%.
Call deposits over £1,000 14%.
Demand deposits 16%.

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Shell's laser 'eye' reveals some secrets.



Dr. Martin Swords, Shell Scientist,
Thornston Research Centre.

"One of the biggest problems in engine design is finding

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Engineers have long known that the turbulence of the petrol mixture and gases swirling inside the cylinder has an important effect on performance – but the

difficulties of measuring the characteristics of a gas cloud which explodes about every 12 milliseconds, reaches 1500°C and is locked away inside thirty or forty pounds of metal, have proved insurmountable until now.

We are now able to drill holes in an engine cylinder, insert thick quartz windows and punch laser beams through the gas clouds as they mix and burn.

Using this technique we can work out the turbulence and the velocity of the gases.

Engineers and scientists can use this data to improve both the cylinder geometry and the chemistry of the fuels.

Since we estimate that this new information could help to bring about fuel economy improvements as great as twenty per cent, it is a development of some consequence.

If you think of the difference such a saving would mean to you, it's easy to see why we think this work is so important."



FINANCIAL TIMES SURVEY

Friday September 19 1980

FRANKFURT

Frankfurt continues to thrive as a leading centre for European trade and international finance, despite a physical environment that leaves much to be desired. Described as 'ungovernable' in the early 1970s, it is now a more peaceful place. Yet the city's very success has also left a legacy of intractable social problems.

A city wanting to be loved

By Kevin Done

FRANKFURT is a city that very much wants to be loved. Perhaps befitting the place that is the capital of West Germany's advertising industry it appears to be obsessed with its image. In the post-war development of the Federal Republic it has emerged as the country's undisputed financial capital, it is the centre of one of the most dynamic trading and industrial regions in the whole of West Germany, the focal point of the country's communications, whether by air, rail or road and has by far the highest per capita gross domestic product of any of the big German cities. But it is not loved.

The city authorities have just taken delivery of a report from one of the country's leading opinion research institutes, which indicates that 78 per cent of the people answering a sample question on the reputation of the major West German cities think that Frankfurt does "not have a good reputation." Only 6 per cent think it does. At the other end of the scale Munich is held to have "a good

reputation" by 70 per cent of those questioned, and only 2 per cent think it does not.

As the survey delves deeper into people's attitudes towards the city, examining the perception of Frankfurt both through the eyes of its inhabitants and of people who have never, or have only rarely visited it, it begins to become clear that Frankfurters themselves are not at all so ill-disposed to the city as has been popularly supposed. Nearly one in four Frankfurters say they would like to live somewhere else, but three out of every four say they are content to stay in the city.

Dissatisfaction in the other big towns of the Federal Republic is certainly less, but not substantially. Where the study finds the biggest discrepancy, however, between the attitudes of Frankfurters and the inhabitants of other large cities is among the recent arrivals. As many as 57 per cent of the people questioned who had lived in Frankfurt for only five years or less said they would like to live somewhere else. The equivalent figure for the other big cities is only 26 per cent.

The study offers few ready solutions to the problem, but it does present an identikit picture of the sort of person who would be most likely to feel himself at home in the Main region's metropolis. Frankfurt enthusiasts—and the study does turn up some people who say that Frankfurt would be their first-choice city in the Federal Republic in which to live—think that sophisticated transport communications are more important than bicycle tracks. They are more motivated by the chances of earning high salaries than by the num-

ber of children's playgrounds. It is important to them that their city should be the location of the headquarters of major banks, companies and institutes. They have an above average interest in "gourmet" restaurants and culturally they go especially for "concerts with famous musicians."

It is this Frankfurt enthusiast, who perhaps holds the key to how the Frankfurt of the future will develop—or at least to how the city will encourage "the image of Frankfurt" to develop. For the city authorities appear to be taking seriously the advice they are getting from advertising moguls that there is only one way to change a bad product image. Do not preoccupy yourself with the negative features, just find enough positive ones to stress to obscure them.

Beneath the image, however, the realities of Frankfurt have already started to change. It is, for example, a much more peaceful place than it was 10 or even five years ago. And the city has given up too the attempt to try to demolish its past and to replace it with a utilitarian present.

Air raids

The magnitude of the task of rebuilding the city after the Second World War cannot be underestimated. Four-fifths of all the buildings had either been damaged or destroyed during 33 air raids. Of 177,000 homes in the city in 1940, only 93,000 remained standing in 1945. The population had shrunk by more than half to 265,000. The history is important because the appearance of the city now has chiefly been formed by the actions of the last 35 years.



An attractive panorama over the iron footbridge towards the Cathedral. But elsewhere in the city, property speculation and poor planning have left visual scars

Little attempt was made to rebuild winding medieval streets and the narrow gabled buildings. Instead, Frankfurt was re-constructed on modern lines in reinforced concrete and glass, with wide roads suitable for cars but with little attraction for people. One could be forgiven for thinking that what was not destroyed in five years of war has subsequently been knocked down by the developers.

What was not damaged, however, was Frankfurt's natural location as a crossroads for European trade and as a centre for international finance. It was the city after all which gave the world the Rothschild dynasty, which has been running trade fairs at least since the 13th Century and which had established its first stock

exchange in 1585. In the dramatic economic surge forward of the post-war period that has made Frankfurt the focus of one of the most prosperous regions of West Germany, the main work-place for a population of some 2m people in the Rhine/Main conurbation, its trading and financial pedigree has never been in doubt. What was lacking in the planning, however, was a feeling for the human scale of life, for life lived at street level.

Frankfurt missed out narrowly in the vote to become the capital of the new Federal Republic, but was made the home of the Bundesbank, the West German Central Bank, and with the rise of the Deutsche mark the city has risen too, pulling to it an ever growing

foreign population—one in every four people in Frankfurt is non-German, a sign of this economic dynamism.

It is now the base for 338 banks, of which 186 are foreign institutions, and it is the international headquarters of three of the world's largest: Deutsche Bank, Dresdner Bank and Commerzbank. It has the most highly developed tertiary sector of any German city, is the capital of the West German advertising industry and the home of countless trade federations—including the associations of the motor car, mechanical engineering and chemicals industries, three of the largest sectors of German industry—and it has as well the headquarters of the western world's largest trade union, I.G. Metall. Frankfurt itself is still rela-

tively small, with an official population at the beginning of the year of 631,224, but it is the workplace of a much larger population. It has some 520,000 jobs and counts among its day-time population around 250,000 commuters. The city's gross domestic product amounted to DM 37bn last year. Although only some 631,000 of the 2m people in the Rhine/Main conurbation live in Frankfurt, the workforce employed there accounts for more than 30 per cent of the region's gross domestic product.

Despite the concentration of service institutions, the industrial presence in Frankfurt is appreciable too. In 1978 it had 281 industrial companies employing 30 people or more with a workforce of 105,000 and an annual turnover of more than DM14.8bn. Around 44 per cent of this comes from the chemicals industry, including world names such as Hoechst and Degussa, and about 29 per cent from electricals and electronics manufacture, including AEG-Telefunken.

Vacancies

During the recession of the mid-1970s the number of jobs in Frankfurt declined along with the contraction of the national economy, but there has been a significant recovery since 1977 with the number of job places rising by 3 per cent. The city has an unemployment rate of about 2.9 per cent with 13,600 registered unemployed. But against this there are at least 10,000 officially notified job vacancies.

The city's GDP rose by 8 per cent in nominal terms last year, an important point for the city's finances as a major part of its

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revenues are derived from the taxes on the profits and assets of local undertakings. For many years the tax rate on companies in Frankfurt was the highest in the whole of the country, but changes in the Federal tax structure have now pushed other cities, such as Munich, off in front. The city's draft budget of around DM 3.8bn will be slightly in deficit as a result next year, but there are no plans for changing the rate according to the City Treasurer.

The recovery in the local economy has also meant that the stock of some 750,000 square metres of empty offices that was standing empty in the city at the end of 1977 has been more than halved to around 340,000 square metres.

The squeeze on space does not make the city any less attractive for newcomers and one of the most interesting property deals that is being negotiated behind closed doors is the creation of a "Japan Centre." A consortium of leading Japanese banks, industrial companies and trading houses is discussing intensively with the city the possibility of acquiring a prestige site, which would both act as a centre for

CONTINUED ON FACING PAGE

This Amana Radarange microwave oven brings fine food to gourmets on the go.

If it was true at one time that fine food and fast food were mutually exclusive, it isn't any longer... not since the advent of microwave cooking. That's particularly true at the Autobahn Restaurant near Würzburg, West Germany. They use an Amana Radarange microwave oven as an essential part of their food preparation process. Travelers who dine at this well-known restaurant are assured of a delicious meal without sacrificing their time. In fact, a leading publication recently named it the Autobahn's best restaurant.

It is not surprising that superb food and Radarange microwave ovens are practically synonymous. After all, Raytheon invented microwave cooking 35 years ago, and in 1967 Amana Refrigeration, Inc., a Raytheon company, perfected the first countertop model.

The rest is history. Microwave ovens are now

a billion-dollar-a-year industry and Amana continues as a leader. Today, people throughout the world use Radarange microwave ovens as well as other Amana products—energy-saving refrigerators, freezers, air conditioners, and a full line of conventional cooking appliances. In fact, Amana and four other subsidiary companies make Raytheon a very large and diversified manufacturer of major appliances.

Raytheon... a \$4.3 billion company in electronics, aviation, appliances, energy, construction, and publishing. For copies of our latest financial reports, contact any of the offices or companies listed below or write: Raytheon Europe, 52 Route des Acacias, 1227 Geneva, Switzerland, or worldwide headquarters, Raytheon Company, 141 Spring Street, Lexington, Massachusetts, U.S.A. 02173.

RAYTHEON

FOR INFORMATION ON AMANA APPLIANCES: Amana Refrigeration of Europe, Inc., Frankfurter Allee 45-47, D 6236 Eschborn T/F, West Germany.

RAYTHEON COMPANIES IN EUROPE: Electronics: Cossor Electronics Limited, Harlow, Essex, England • Data Logic Limited, Greenford, Middlesex, England • Raytheon-Copenhagen, Denmark • Raytheon Halbleiter G.m.b.H., Munich, West Germany • Raytheon Marine Limited, London, England • TAG Semiconductors Limited, Zurich, Switzerland • Transistor Bau- und Vertriebsgesellschaft G.m.b.H., Karlsruhe-Durlach, West Germany • Wire and Cable Electrical Installations Limited, London, England • Le Fil Dynamo, S.A., Meyzieu, France • Greengate Cables Limited, Manchester, England • Khsing G.m.b.H. & Co., Ingolstadt, West Germany • Lacroix & Kress G.m.b.H. & Co., Brannche, West Germany • Sterling Cable Company Limited, Aldermaston, Berkshire, England.

RAYTHEON OVERSEAS LIMITED, EUROPEAN OFFICES: Bonn, Brussels, London, Madrid, Paris.

FRANKFURT II



A tanker transports organic chemicals from the Hoechst complex at Tor Ost to other plants. The company produces a huge range of products, from pharmaceuticals to paints

Service industries ensure low rate of unemployment

THE RAPID expansion of Frankfurt as a base for commerce and industry, besides being the country's major financial centre, has started causing problems for companies seeking to expand their operations in the city or set up new undertakings. Space for growth is at a premium, although this has had little obvious effect in limiting demand.

For many commercial concerns, particularly those in highly exposed sectors such as advertising, the acquisition of a Frankfurt address is still worth a struggle. And the position of the city as a crossroads for trade is sufficient incentive to continue drawing major retailers and whole sellers to the city.

Frankfurt inevitably has a very large tertiary sector—trade, transport and services—which accounts for some 68 per cent of the city's Gross Domestic Product of around DM 37bn, compared with 52 per cent from manufacturing industry. In common with most parts of the country Frankfurt suffered a slight decline in activity as a result of the recession of the mid-1970s. The number of jobs in the city fell by around 7.2 per cent between 1970 and 1977.

Jobs magnet

The last two years have shown a marked recovery, however, to around 520,000. Since the city of Frankfurt only has a population of some 681,000, it becomes clear that the city is a magnet for employment in the whole Rhine/Main region.

Around 250,000 people commute daily from the surrounding area into Frankfurt. But although companies and institutions in the city can call on the labour resources of a population of about 3m in the Rhine/Main region, there is still a shortage of skilled workers.

The unemployment rate in the city is very low, at around 2.6 per cent in August—a drop from about 2.9 per cent a year earlier.

Image problems

CONTINUED FROM PREVIOUS PAGE

Japanese business and as a show-case for Japanese goods in Germany.

The deal appears to hinge partly on the creation of a Japanese school in Frankfurt; it would be only the second Japanese "Europa" school after London. The effort does not seem to be the least impaired by the existence already of a Japanese Centre in Düsseldorf and it has recently been boosted by the up-grading of the Japanese consular presence in Frankfurt.

With such a flow of finance and commerce, it is perhaps not altogether surprising that Frankfurt has not always been at peace with all its citizens. In the early years of the 1970s it earned the description of being "ungovernable" as it was hit by scandals in local government, student turmoil, blatant property speculation and chaotic traffic conditions caused not least by the building of the new underground system through the centre of the city.

It is now without doubt an easier place to live in than then and within a couple of years the centre of the city too should finally cease to resemble a large building site.

The underground construction in the centre will be over by 1982, major shopping streets will be turned into tree-filled pedestrian squares, and the scaffolding will finally come off the old Opera House, opened in 1880 as a replica of the Paris Opera but nearly destroyed in the Second World War, which for 12 years was the subject of bitter dispute between leading citizens of the city who wanted to re-build it and the Social Democrat city administration, which wanted to leave it as

WORKFORCE AND SALES OF FRANKFURT INDUSTRY

	Companies	Workforce	Turnover DM m
Total industry	281	104,900	14,511
Chemicals	30	38,700	6,497
Electrical/Electronic	45	26,800	4,335
Mechanical engineering	49	11,000	985
Reed vehicle manufacture	16	4,600	549
Food	19	4,500	723
Printing	39	4,400	379
Precision engineering	9	3,100	63
Hardware products	13	2,400	184
Non-ferrous metals	5	2,000	206

1978 figures for companies with more than 20 employees. Source: Industrial Promotion Office, Frankfurt.

earlier. By last month there were only 13,600 unemployed registered in Frankfurt against as many as 10,000 officially notified job vacancies.

Besides banking, the city's services sector is most marked by the concentration of the advertising industry in the city. Because of its international airport, Frankfurt has long served as one of the main gateways to Europe for the U.S., with the result that many of the leading American advertising agencies have stuck up their nameplates in the city.

In recent years Frankfurt has clearly taken over from Düsseldorf and Hamburg as the Federal Republic's leading advertising centre. Around 40 per cent of the industry's expected turnover this year of some DM 12bn will be derived from agencies in the city. The big ten Frankfurt agencies alone have a combined turnover of more than DM 2bn and the existence of a total of more than 200 agencies has ensured that there is also a wide variety of advertising support services available in the shape of printing companies, photographic studios and market research institutes.

Of the top 20 West German advertising agencies, 13 have their head offices or branches in Frankfurt. The list is headed

by firms such as McCann Erickson, Lintas, Deutschland, J. Walter Thompson, Young and Rubicam and H.O. and M.

No other German city has such a concentration of service activities. Indeed, some local politicians have begun to express concern that Frankfurt's employment structure is becoming unbalanced—and this has expressed itself most obviously in the towering office blocks that crowd the city landscape. The invasion of the west end of the city one of the prime old residential areas, by property speculators in the early 1970s has more or less been brought to a halt. But by the mid 1970s the frantic period of office building had resulted in a surplus of around 750,000 sq m of empty office space in the city.

Empty offices

The developers were caught unawares in Frankfurt, as in so many other large cities, by the fierceness of the mid 1970s recession. In the last couple of years, however, their fortunes have improved and some estate agents are even warning again of a future shortage of suitable accommodation. The latest figures available from the city authorities indicate that the stock of empty offices has been cut by 56 per cent in the last two years to around 342,500 sq m at the end of 1979.

The demand for industrial sites has also grown considerably in recent months with the chief interest coming from companies already based in the city and seeking to expand. The city authorities no longer have any comprehensive industrial estate areas available, their stock amounting only to single unconnected sites.

In the port areas, sites are still to be found, but often only as leasehold developments. The private sector presently has around 800,000 square metres available for new uses, although much of this land would need to be redeveloped and already contains existing premises. This can make valuation difficult for potential buyers.

The major industrial activities already established in Frankfurt are heavily weighted to three main sectors, chemicals, electronics and mechanical engineering. In the immediate surrounding area, however, the motor industry is strongly represented at Rüsselsheim. The largest West German works of Opel, the German subsidiary of General Motors of the U.S. is based in the city. Frankfurt also has an important metals processing sector with the headquarters of companies such as Metallgesellschaft and Degussa.

Around 43 per cent of the city's industrial production is sold in export markets, and the important operations of Frankfurt companies overseas are enhanced by the presence in the city of leading building, construction and process plant engineering concerns such as Philipp Holzmann and Lurgi. Nearby Offenbach is the centre of West Germany's leather industry and the site of the leather sector's national trade-fair.

With such a wide variety of activities, Frankfurt is better protected than most industrial areas from the vicissitudes of national and world trade. But the area could soon begin to

feel the effects of the slowdown in some of its more important industrial sectors, such as the motor industry and chemicals.

Opel, one of West Germany's largest volume car producers, is cutting its Rüsselsheim workforce by more than 5,000 because of falling demand, particularly for its larger models of 2 litres capacity and above. And leading chemicals producers in Hesse-Frankfurt and the surrounding area is the home of several world names including Hoechst, Degussa, Rütgerswerke and F. Merck in Darmstadt—have warned recently that the slump in demand for many chemicals products could lead to short-time working in some plants.

Equally, the electronics sector is coming under growing pressure in its home market from Far East competition. One of Frankfurt's largest companies, AEG Telefunken, with a West German workforce of some 120,000, is currently restructuring its activities throughout the country. The company, which has its headquarters beside the River Main in the city centre, was brought to the verge of financial collapse last year, but was rescued by the combined actions of banks, insurance companies and other leading German industrial groups. As a result of the financial rescue, some of the biggest of the Frankfurt banks, such as Deutsche Bank and Dresdner Bank, are now among AEG's largest shareholders.

Further down-river is the headquarters and main manufacturing base of Hoechst, the world's largest chemicals group, with a world-wide turnover last year of DM 27bn. Hoechst is one of the three independent operating groups of the old German chemicals giant I. G. Farben, which was split up by the Allied forces after the Second World War. (The former I. G. Farben headquarters office-block still stands in the centre of Frankfurt, but it is now the HQ of the U.S. forces in the city.)

From one of the most densely concentrated chemicals sites in Western Europe, Hoechst produces a huge range of products ranging from pharmaceuticals and plastics to dyes, pigments, paints, fibres and resins.

The existence of such a massive chemicals complex in the middle of a densely-populated region like Rhine/Main is inevitably not without problems, and Hoechst has been the object of fierce attacks by local environmentalists. The company is doing much to reduce the impact of its plants on the surrounding environment, and in the last 10 years has invested more than DM 250m in cleaning up the discharges from its chemical plants in the Rhine/Main region alone.

Pollution

About 300 installations have been built to try to purify water discharges from the plants to cut pollution of the River Main. But incidents still occur, when inadequately treated chemical waste escapes into the river.

Trading concerns represent about a third of the turnover of Frankfurt's total economy, with sales of around DM 36bn in 1978. The wholesale and retail trades support more than 6,500 companies in Frankfurt, employing more than 84,000 people. The population of the surrounding region makes the city a focus for retailers and large department stores. The city accounts for around 45 per cent of the state of Hesse's retail sales.

The concentration of service and commercial activities in Rhine/Main means that many trade federations and trades unions have also selected Frankfurt as their national base. The motor, electrical and chemical trade associations are all centred in Frankfurt, as is the headquarters of IG Metall, the largest trade union in the western world.

Kevin Done

WIR SIND UNS EINGIG

Wir sind uns einig:

einig mit Menschen, die denken können. Die neue Wege suchen zum Glück und zum Wohlstand in dieser Welt.

Einig mit den Designern, die aus ICI-Kunststoffen Dinge formen, die schön, nützlich und preiswert sind.

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Einig mit Architekten und Ingenieuren, denen die ICI-Produktpalette neue Möglichkeiten aufzeigt.

Einig mit dem Landwirt, dem unsere Düngemittel helfen, die Launen der Natur ein bißchen auszugleichen...

Einig mit Fräulein Susanne, die in ihrem Kleid aus ICI-Fasern die Schönste der ganzen Disco ist.

Einig mit allen, die unser Leben bejahen und bereit sind, etwas dafür zu tun —

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The German national newspaper
read by more top bankers and
insurance managers than any other
daily or weekly newspaper or magazine
in the Federal Republic.

Source: LAE 1978. Readership analysis of decision makers in Germany's economy and administration.

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FRANKFURT III

A fair prospect for success in international trade

FRANKFURT has been a cross-roads of international trade for several centuries and its modern role as one of West Germany's leading centres for industrial and trade fairs draws on a tradition established at least as long ago as 1240. Today its annual Spring and Autumn fairs for consumer goods are taken as one of the most important barometers of the state of the West German economy, while its specialist industrial fairs for textiles, motor-cars, books, furs, chemical plant and—since this year—musical instruments attract a worldwide audience.

The competition between the Federal Republic's leading exhibition centres is fierce, but at the top of the industry there are only four cities which can justifiably claim to belong to the world elite: Hanover, Frankfurt,

Cologne and Düsseldorf. Hanover has by far the largest exhibition centre, with around 500,000 square metres of covered halls. It is more than twice as large as Frankfurt and Cologne, which have around 200,000 square metres each. Hanover, however, is dominated by just one massive annual event—its industrial exhibition each summer. The city is handicapped by its more difficult geographical location, while Frankfurt and Cologne achieve far larger turnovers by the frequency and variety of their fairs.

Frankfurt also plays host to the fair which exerts the strongest attraction for the public, its biennial International Motor Show. This exhibition, in which most of the world's leading car manufacturers participate—some 1,300

exhibitors from about 30 countries—had more than 1m visitors when last staged in September, 1979.

The coincidence last year of the motor show with other major occasional fairs such as Achema, the chemical plant makers' exhibition, meant that the Frankfurt International Fair organisation enjoyed a record year. A total of more than 2m people visited the fairs and 20,000 exhibitors took part.

Agents

As an exhibition centre, however, Frankfurt is chiefly marked by the international character of its fairs. To maintain its presence worldwide it has established a chain of foreign representatives in major cities in more than 50 countries. In important centres, such as

London, Paris, Vienna, Milan, and Amsterdam it employs full-time agents.

At the biannual trade fair for clothing textiles, Interstoff, up to 80 per cent of the 800 exhibitors are foreign, and 64 per cent of the visitors come from abroad. Frankfurt's new Music Fair, established this year as an independent event, drew 70 per cent of its exhibitors from outside Germany. Heimtextil, held each January as the largest international trade fair for home textiles and floor coverings, attracts around 50 per cent of its exhibitors from abroad.

The city's development as a trade fair centre since the end of the Second World War has undoubtedly been helped by the partition of Germany into two states. Frankfurt suddenly found itself very much at the

geographical centre of West Germany, which enhanced anew its role as a cross-roads in European trade. But just as importantly it was able to pick up major shows, which traditionally had been based in either Berlin or Leipzig. From Berlin came the International Motor Show in 1951; in the same year, Frankfurt captured the Furs Fair from Leipzig. Four years later the Book Fair also moved from Leipzig to Frankfurt.

The Frankfurt Book Fair, staged in October, is the world's largest book-market. Almost 5,000 publishers take part, of whom around 75 per cent come from 90 countries outside the Federal Republic. The fair covers not only books, but also maps, globes, speech records and audiovisual products.

The essence of the Frankfurt trade fair tradition, however, is contained in the city's Spring and Autumn Fairs for consumer goods. The first historical records making direct reference to the Frankfurt Fairs have been traced back to 1240, when the then Emperor, Friedrich II, placed the autumn fair under imperial protection. Some 90 years later the existence of a Spring Fair was confirmed when similar imperial safeguards were issued by the Emperor Ludwig the Bavarian (Ludwig der Bayer).

Imperial protection meant that merchants travelling to Frankfurt for the fairs were guarded from highway robbery, a rather frequent occurrence. Unfortunately such imperial protection has not continued to the present day and the modern trade fairs are also something of a magnet for specialist criminals. Pick-pockets, for example, are attracted by the sudden influx particularly of foreign visitors.

Pick-pockets

After the latest Autumn Fair, which ended earlier this month, the local police authorities confirmed that a number of pick-pockets with long-established Interpol records had been picked up in Frankfurt, some operating from home bases as far away as South America.

Since the late 1950s the Frankfurt fair authorities have been moving towards greater specialisation of the Autumn and Spring Fairs, with the more successful branches striking out to set up independent fairs in their own right. The first move in this direction was made in 1959, when the clothing textiles industry set up its own trade fair, Interstoff. This show has successfully taken root and can now count on around 24-25,000 visitors to its biannual fairs, with around 60 per cent of the trade observers coming from abroad. Interstoff allows them to watch the latest trends emerging in clothing textiles which will shape the fashion collections of the following year.

In 1971 trade exhibitors of household textiles decided to follow a similar path with the result that they set up the independent Heimtextil show covering home textiles and floor coverings. Some 55,000 to 60,000 trade visitors are attracted to this fair each January, of whom around 30 per cent come from abroad. The latest offspring of the Spring and Autumn Fairs is the Frankfurt Music Fair, which had its

first independent staging in February this year.

Frankfurt has already established itself as the single largest market place in the world for musical instruments, music accessories and music publishers' products. The number of exhibitors at next year's show is expected to jump to more than 600 compared with 450 in 1980.

It is not clear which the next candidate for independence could be. According to Herr Alfred Schnorr, the managing director of the Frankfurt Fair organisation, the remaining 11 branches of the consumer industry represented at the Spring and Autumn Fairs all have strong common bonds. The whole fair could be weakened if one sector were to be removed for independent showing at a different time of year.

The Spring and Autumn Fairs attract around 3,000 exhibitors, with about one-third coming from outside Germany. Consumer goods are displayed from about 40 countries with the concentration on particular themes such as table settings (glass, china, ceramics, metalware, arts and handicrafts), personal accessories (jewellery, smokers' products, watches, handcraft items, cosmetics and hairdressing products), home decor, paper, office supplies and stationery and products for show windows, shop-fitting and advertising. As many as 100,000 trade buyers turn up for the Spring Fair, with slightly less in the autumn.

The fair organisation itself is set up on private company lines, although its shareholders are the two major local authorities: the city of Frankfurt, with 60 per cent, and the state of Hesse with 40 per cent. Unlike other major fairs in West Germany, such as Cologne and Hanover, Frankfurt also allows outside organisations to arrange fairs on its grounds, acting in this function merely as a landlord.

The Frankfurt Fair organisation had a turnover last year of around DM 84m. But there was an additional turnover last year of some DM 50m derived from the independent staging of the four major shows for motor cars, books, furs and chemical plant.

The facilities offered in Frankfurt for exhibitors have expanded rapidly in the post-war period. At the first fair organised after the War, in the autumn of 1949, only 12,000 square metres of covered hall space was available. The overflow of exhibitors was accommodated in tents or nearby school-rooms. Today the fair has just over 200,000 square metres of covered halls available. But for the major shows, such as the International Motor Show, Achema, the chemical plant exhibition, and the Spring Fair, the organisers are stretched to meet demand.

The Frankfurt Fair is therefore about to embark on a five-year DM 360m expansion programme, which is designed to increase the available covered exhibition space to around 250,000 square metres. At the same time many of the facilities will be modernised and covered paths and moving walkways provided between all parts of the fair ground. The investment has been approved by the board of the Frankfurt Fair company, although it is still to receive



Two Frankfurt traders warn to the task of selling furs—one of the many kinds of consumer goods exhibited at the city's trade fairs

WEST GERMAN TRADE FAIRS

	Visitors
FRANKFURT	
Spring Trade Fair (1979)	112,617
International Motor Show (1979)	1,071,000
Sanitation, Heating, Air Conditioning (1979)	225,448
Achema—Chemical Plant (1979)	175,000
Book Fair (1979)	158,557
HANOVER	
Industrial Fair (1980)	544,000
EMO Machine Tools (1977)	200,000
Constructa (1978)	180,000
Dialecta—Education products (1977)	72,000
COLOGNE	
ANUGA Food and Nutrition (1979)	137,501
IFMA—Motorcycles and Bicycles (1979)	202,001
Photokina (1978)	122,501
International Furniture (1980)	111,500

the final seal of approval from the Fair's ultimate political masters in the city and state assemblies. The expansion will also achieve much greater flexibility for staging smaller trade fairs with the possibility of virtually splitting the fair grounds into two separate show areas.

To fund the ambitious expenditure programme, the Fair will have to call for the first time on its shareholders for the finance, but the city of Frankfurt and the state of Hesse are unlikely to object. They are both aware that their "land" from the Frankfurt Fair does not come in a direct cash payment but in what the Fair means for the local economy and for the image of the region.

Hotel bookings

Herr Schnorr estimates that the existence of the Fair contributes at least DM 500m a year to the local economy. The spending flows in the form of hotel bookings, transport, souvenirs and entertainment of guests, as well as in the local labour required to stage the various events.

The value of each trade fair to the region clearly varies widely and is not just based on the number of visitors. The International Motor Show attracts more than 1m visitors, but most come by their own transport, and entertainment might be limited, says Herr Schnorr, to a sausage from a stand. The spending of, say, a textiles manufacturer winning

and dining a potential client is in another league, while the taxi drivers are most fond of the book fair visitors. "They usually do not have chauffeurs," says Herr Schnorr, "but they tend to be a bit more intellectual and value the thinking time offered by a taxi journey."

Better access by car to the exhibition grounds has been introduced gradually, although a direct road from the motorway system to the Fair car parks is still only in the planning stage. Equally the city of Frankfurt itself is not able alone to deal with the flood of visitors seeking overnight accommodation for the larger trade fairs. But Herr Schnorr is confident that the surrounding region can more than cope.

Frankfurt has some 16,000 hotel beds, while the city and the hinterland together—taking in nearby towns such as Mainz, Wiesbaden and Darmstadt—have about 40,000 hotel beds available.

Inevitably other international exhibition centres have gazed at the selection of Frankfurt shows to see where they might stage competing attractions, but Herr Schnorr sees no immediate rivalry on the horizon. The chief threat in the short term lies perhaps in Paris' decision to internationalise its textiles exhibition, Premiere Vision, for the first time this year. That could spell hard competition ahead for Interstoff in Frankfurt, although no loss of interest by regular exhibitors has yet been shown.

K.D.

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The rise and rise of a financial metropolis for world banking

ALONGSIDE THE rise and rise of the Deutsche Mark since its creation in 1948, the city of Frankfurt has risen too. First it became the financial centre of the Federal Republic, and later

one of the leading financial centres of the world. Its physical appearance is dominated by the towering office blocks erected by West Germany's major banks. And the attractiveness of the city as

a financial metropolis for institutions from around the world is eloquently demonstrated by a list of 186 foreign banks which currently maintain a presence in the city, through branches, representative offices or full subsidiaries.

The attraction of Frankfurt as a location both for foreign and German banks lies not least in the fact that the city is also the home of the Bundesbank, the West German Central Bank, probably the most independent of the world's leading central banks. Written into the legislation which established the Bundesbank are clauses which confer on it a particular independence of the Federal Government in Bonn. It is required to support the Government's general economic policy, provided that this support is consistent with its overriding first duty of safeguarding the value of the currency.

The Bundesbank has maintained a tight monetary policy in recent months, while trying to ensure sufficient liquidity to allow modest growth in the economy. Its key interest rates, the discount and Lombard rates, have since May been at a record level, reached only once before in the post-war period for a few months in 1970.

Under its new President Herr Karl Otto Pohl, appointed at the beginning of the year, the Bundesbank's policy has caused the West German banking community no end of problems. The tight grip kept on the money supply and rising interest rates appeared to catch many of the banks—even leading world institutions such as the

Dresdner Bank and Commerzbank—by surprise. As a result, after-tax profits in the banking sector slumped by 13 per cent last year.

The Central Bank has also faced problems in the last nine months, however. It has been struggling to come to terms with the implications of West Germany's soaring current account deficit on the balance of payments caused chiefly by the steep rise in oil prices. The deficit is expected to exceed DM 25bn this year, compared with DM 10bn in 1979, when the first current account deficit since 1965 was recorded.

Interest rates

The biggest problem for the Bundesbank is contradictory pressures from home and abroad. Domestically, it is coming under increasing pressure from the trades unions and sections of the Social Democratic Party—the senior party in the ruling coalition in Bonn—to relax its monetary policy by lowering interest rates. The purpose would be to inject some life into the flagging economy.

Externally, however, the Bundesbank is having to try to finance the current account deficit through the capital markets. It is well aware that a cut in interest rates would hardly make the job of importing capital any easier. At present the Bank is attracting sufficient capital from abroad, but the position is volatile. The Bundesbank had to let its foreign currency reserves—admittedly still the highest of any industrialised country—decline by more than DM 20bn

CONTINUED ON NEXT PAGE

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FRANKFURT IV

Social problems multiply in a booming economy

FRANKFURT LEADS the West German crime statistics. It has taken over from Amsterdam as the centre of the West European heroin trade, and it has a higher concentration of foreigners than any other German city. Its rapid emergence as the financial and commercial capital of West Germany has not been without cost.

The rush to re-build from the rubble of the Second World War has left the city scarred by the excesses of property speculation and lack of planning. Much of it was re-built with functional concrete apartment and office blocks, lending a faceless, anonymous character to wide areas of the city.

Certainly Frankfurt's social problems are not very different from those facing many of the world's major cities, but they often exist in exaggerated form. As a major cross-roads in Europe, the city has always had a fluctuating, cosmopolitan population, but modern forms of transport have brought the city within easy reach of a much larger world.

The booming local economy has made Frankfurt a natural target for foreign labour from poorer countries. It is doubtful whether the city and much of its surrounding industry could function without the Gastarbeiter (foreign "guest" workers) workforce. The city also bears the burden of being the base for around 20,000 U.S. troops.

With its concentration of foreign banks and foreign companies, it has, too, a large population of foreigners in managerial positions. And because of its major airport—the largest passenger airport in Western Europe after London Heathrow—the city has received the recent wave of political and economic refugees from Afghanistan, Turkey, India, Pakistan, Eritrea and Somalia, all seeking political asylum in West Germany. As a result, every fourth person in Frankfurt is non-German, a situation which is setting the city authorities formidable problems in integrating its foreign communities.

Racial mix

According to Dr. Walter Wallmann, the Lord Mayor (Oberbürgermeister) of Frankfurt, the city now has a legally registered foreign population of about 140,000, excluding the U.S. forces. But the figure is even higher when those living in Frankfurt illegally are taken into account. The most recent grouping is made up of Yugoslavs, accounting for about 20 per cent of the official foreign population, followed by Turks (18 per cent), and Italians (14 per cent). There are also appreciable numbers of Spaniards, Greeks, Moroccans and Portuguese, and the surge in the past two years of would-be immigrants from Asia and Africa seeking political asylum has added new elements to the city's racial mix.

Groups of foreign nationals who came to Frankfurt because of their jobs with multinational companies or financial institutions—chiefly Austrians, U.S. civilians and Frenchmen—are already well established. The numbers at first sight do not appear very large, but Frankfurt is a relatively small city with a total population of only some 631,000.

The biggest social problems are developing among immigrants from poorer countries. The authorities—not only in Frankfurt but throughout the Federal Republic—are learning that many of the people who first arrived as temporary Gastarbeiter now appear to be turning into permanent residents.

Foreign ghettos

The problems in Frankfurt are particularly acute in the schools and in the poorer areas of the city, where foreign ghettos are being created. These make the aim of integration increasingly difficult to achieve. The city has more than 30,000 foreign children under the age of 16, representing about 23 per cent of the foreign population. The same age-group among the city's German inhabitants accounts for only about 13 per cent.

The result is that some schools in the city have classes of more than 30, in which only a couple of the pupils are German. Teachers are confronted with classes where the children have nine or ten different languages, and the city estimates that soon more than 40 per cent of the children starting infants school will be non-German.

In some areas of the city, the figure is nearer 80-90 per cent, however. Virtual ghettos have already formed in two areas of the city in particular—around the main stations and between the station and the west port. The proportion of foreigners living in these areas has already passed the 70 per cent mark.

Inevitably this concentration places a strain on the city's social services, but Frankfurt has so far been spared the most serious disturbances between different racial groups. The fear clearly exists, however, that political turmoil in other countries could spill over into the Federal Republic, and Frankfurt would be a clear target. The Federal Government reiterated earlier this month its concern at the growing number of Turks who are being organised in West Germany into extremist Turkish organisations of both Right and Left. As many as 60,000 Turks in the Federal Republic—some 12 per cent of the country's Turkish population—are said to be members of groups such as the Grey Wolves, supporters of the extremist Turkish Nationalist leader Alparslan Türkeş. The feuding between these groups has already led to open battles in some cities and to stabbings in Frankfurt.

The city finally lost patience earlier this year, however, with the mounting wave of people from Third World countries—chiefly Afghanistan, India, Pakistan, Eritrea and Somalia—who turned up on its door-step seeking political asylum. For years there has been a steady, unspectacular flow of people to West Germany, chiefly from Eastern Bloc countries, seeking to take advantage of the Federal Republic's liberal political asylum laws. It is the only State that guarantees to offer political asylum as part of its basic law.

People arriving in West Germany, claiming to be political refugees cannot be turned away until their cases have been examined by the courts. Before the age of cheap air-travel, political refugees represented no great problem. But since the end of 1978, would-be immigrants have been arriving in ever-increasing numbers, overwhelming the courts set up to hear the cases. The major arrival-point in the Federal Republic has been Frankfurt.

In 1977 the city had to deal with 1,600 applicants for political asylum. In 1978, 2,100; last year, 4,000; and by mid-1980, they were streaming in in such numbers that the total was expected to reach 8,000 to 9,000. In June alone there were 1,172, and as many as 90 passengers stepped off one plane to claim political asylum. Travel organisations had set up between Germany and the main client countries to run this trade in "economic refugees."

In July, however, Frankfurt decided to call a halt. The city, said Dr. Wallmann, had reached the end of its ability to finance, accommodate or simply process this surge of would-be refugees. In bitter recriminations against the state of Hesse and the Federal Government—the timing was interesting, with a CDU Lord Mayor attacking SPD/FDP coalition Government in Wiesbaden and Bonn only a couple of months before October's General Election—Dr. Wallmann accused them of leaving Frankfurt to deal almost alone with a national problem.

Visa controls

Frankfurt's action has quickly produced results. The Federal Government has made serious attempts to speed up the legal process (had been taking three to four years, during which time the applicants were free to stay in the country) and it has introduced visa controls for countries such as Turkey and the Indian subcontinent. The provincial government of Hesse is now trying to spread the new arrivals at Frankfurt Airport around other towns in the state, and is to open a large camp near the city to help with accommodation problems. Frankfurt is still left with around 9,000 political or economic refugees of whom about 3,000 are being put up at the city's expense in more than

160 hotels and boarding houses, many in insanitary and overcrowded conditions. The flow of new asylum applicants has, however, been cut drastically. Another result of Frankfurt's position as West Germany's major international air-link and home for such rapidly rising foreign population has been the increase in certain types of international crime, particularly drug trading.

Dr. Karl-Heinz Gemmer, the recently appointed Frankfurt police president, admits that the city has taken over from Amsterdam as the leading West European centre for heroin trading. Of the 180 kilograms of heroin seized by West German police in the first eight months of this year, about 80 kgs was found in Frankfurt. The trade has flourished, particularly with the growth of the Turkish community in the city, and appears to be largely in the hands of Turkish Kurds, says Dr. Gemmer.

The penalties for peddling heroin are high and dealers can be given prison sentences of up to 10 years. But the rewards are also high. Heroin that comes into the country at around DM 5,000 per kg is being re-sold at around DM 60,000 per kg.

Hash Meadows

Frankfurt is thought to have between 4,000 and 5,000 heroin addicts, but the city functions more as a major supply-point for trade with other cities. For years the market was relatively open, with dealers operating around one of the city centre parks, known as the Hasenheide, the Hash Meadows. The area was cleared after increasing police vigilance earlier this year. But the result is that the trade has simply gone more underground or has moved to areas near the banks of the River Main, or to shopping passages in the city centre.

The presence of so many U.S. troops around Frankfurt also means that the market for drugs in the area is larger than might otherwise be the case. The U.S. Drug Enforcement Agency has officers based in Frankfurt as part of its worldwide fight to cut illegal drug trafficking. According to Dr. Gemmer, the drugs-trade in Frankfurt inevitably attracts other forms of criminality. The trade also has links with prostitution.

Frankfurt leads the West German crime statistics in terms of the number of criminal acts committed per head of population. It is far from being a German Chicago, as more lurid accounts have tried to paint it. It is perfectly safe to walk through much of the city at night and Dr. Gemmer is pleased with the co-operation of the police receive from most quarters of the public. However, compared with other German cities Frankfurt has distinct problems.

Last year about 90,000 criminal

acts were committed in the city, of which about 70 per cent were theft. A significant number of robberies are also connected with the city's drugs trade and the attempts of addicts or dealers to get the necessary finance. The existence of so many visitors in the city—particularly on the occasions of the bigger trade fairs—also attract certain specialist criminals, such as pick-pockets, often operating from home bases as far away as South America.

Prostitution in West Germany—a perfectly legal trade protected by law—also tends to be drawn into criminality through links with drugs and because of the wide mixture of cultures and

nationalities in Frankfurt. In recent months there has been a battle in the city's main prostitution quarters between well-established operators and newcomers, particularly from the African continent.

As Dr. Gemmer remarks, the traditional white prostitutes' market has been increasingly undercut by black newcomers, willing to work for less money. "They are working almost at dumping prices," he says.

The other consequences of Frankfurt's being a centre of finance is that financial crimes are also a major consideration for the local police. They are increasingly having to hire and train officers with a background in accountancy or the financial

turned up in the city's prostitution world.

The roots of Frankfurt's crime-problems often lie in its economic success. "The city has a big labour market," says Dr. Gemmer, "with many foreigners working here legally. Inevitably there are therefore also some here illegally. The city is like a fly-paper and some stick with whom we are not so happy."

The other consequences of Frankfurt's being a centre of finance is that financial crimes are also a major consideration for the local police. They are increasingly having to hire and train officers with a background in accountancy or the financial

markets, to help them unravel the most complex fraud cases. Germany has suffered for a number of years from swindles in which members of the general public have been persuaded to "invest" money in various sorts of funds, which have later turned out to be bogus.

The most popular line in the last couple of years has been fraudulent commodity futures trading. The problem for the Frankfurt police is that such cases often take so long to unravel, that by the time they are ready to move, the criminals have long left the country.

K.D.

Focus on Hessische Landesbank - Girozentrale -

"Half of Germany's top 10 banks are Frankfurt-based. We're one of them."



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How do you see your position developing internationally?

"Frankly, a number of German banks offer similar high-quality services, and some of them have a head start on us in the international field. Without neglecting our home base in Frankfurt, we have assembled a team of banking professionals devoted to building a strong international track record based on pragmatic banking principles, the most modern technical and support facilities, and the highest standards of client service. Banking in Frankfurt is quite competitive, and the banks who try harder for their clients and give them fast, personal service often have the edge. This is one of our major objectives."

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And sources of funds?

"A large part of our funding is done by issuing bearer bonds and SD Certificates (Schuldscheindarlehen). The total in circulation is about DM 21 billion."

Who are the bank's main clients?

"As a wholesale bank, our service facilities are tailored for large, internationally active corporations, foreign governments, and other financial institutions, as well as

Let's start with Frankfurt. Why is Frankfurt so important?

"Frankfurt ranks among the world's foremost banking and financial centers. 150 German banking institutions operate here, and Frankfurt has 174 international banks, more than any other city in Continental Europe."

The Bundesbank is headquartered here, and the Frankfurt Stock Exchange is Germany's largest, accounting for nearly half of the stock exchange transactions, 64 per cent of dealings in foreign shares and 80 per cent of the business in foreign fixed-interest securities.

Perhaps less well known internationally is that Hessische Landesbank is one of Frankfurt's big native-born banks. Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

Now about the bank itself. What's its size and structure?

"With total assets of DM 49.2 billion, Hessische Landesbank is Germany's 9th largest bank, 3rd among Landesbanks. As a government-backed regional bank, our liabilities are guaranteed jointly by the State of Hesse and its Sparkassen and Giro Association. We also act as banker to the State of Hesse, from which our name is derived, and perform clearing functions for the 52 regional Sparkassen."

What about your service facilities?

"We concentrate on wholesale banking and medium to long-term fixed-rate DM lending. As a German universal bank, our facilities

Finance

CONTINUED FROM PREVIOUS PAGE

in the first months of the year as pressure on the D-Mark mounted.

The problems facing the Bundesbank afford little consolation to the Frankfurt banking community. A continuation of the Central Bank's tight monetary policy means that there is little chance in the short-term that the squeeze on their profits will be relaxed.

In an over-banked country like Germany, competition between institutions is fierce. Trading profitability of the banks has declined further in the first half of this year. However, these difficulties have done little to dim the attraction of Frankfurt as the premier banking location of the Federal Republic—although it might be giving the city authorities something to ponder as they consider their budget for next year. Part of their local tax revenue is derived from a levy on the profits of all the undertakings operating within the city limits, including the banks.

The number of banks with a presence in Frankfurt grows every year and by the end of August it had reached no less than 338. Of these, 152 are West German, including 91 who have their head offices in Frankfurt, 22 with regional headquarters, and another 39 with branches and business offices. Of the 50 largest West German private commercial banks, headed by the Deutsche Bank—the fifth largest bank in the world—18 are Frankfurt banks. Seven of the top 10 West German private commercial banks have their head offices in Frankfurt.

As a finance centre Frankfurt far outstrips the importance of other significant regional banking centres, such as Düsseldorf, Hamburg or Munich. More than DM 500bn is carried on the books of the ten largest institutions alone. The banks are responsible for directly employing around 33,000 people of a total Frankfurt workforce of some 520,000.

The spirit of modern Frankfurt as a financial centre is a post-war creation, but its traditions of handling money go back rather further. In 1180,

Frankfurt had the right to issue coins and the first exchange office was opened in 1402.

Until the 18th century, currency and credit transactions were mainly based on trade in goods. Later they broke from their reliance on the trade fairs and achieved an independent status, and the Frankfurt stock exchange was founded around 1585. Early dealing handled mainly drafts, but at the end of the 18th century regular trade in loans and debentures had started. By the early 19th century, Rothschild and the Bethmann brothers held leading positions on the loan market.

Rothschild

Meyer Anselm Rothschild and his five sons are perhaps one of Frankfurt's most distinctive contributions to world banking history. By the early 1800s the Rothschilds had introduced the modern system of dealing in securities, financed several Royal Governments, and placed in Europe's main financial centres obligations worth more than \$1bn at a time when the U.S. budget amounted to only \$18m.

Today Frankfurt's stock exchange has a leading position in West Germany, despite the federal system, which has ensured the development of seven other regional stock exchanges, including Düsseldorf, Berlin, Hamburg, Stuttgart and Munich. Its emergence as the senior exchange has been marked by the international favour of its business, although it does not have the same pre-eminence within its national financial system of London, Tokyo, or New York.

None the less Frankfurt accounted for 48 per cent of the total volume of dealings in German exchanges last year. It has to fight hardest against other German regional markets for the turnover of domestic shares, of which its portion of the total West German volume amounted to 38 per cent last year. It took 41 per cent of domestic bond sales.

In the sale of foreign shares, however, it is clearly pre-eminence, taking 67 per cent of

the total business. The Bank claimed 80 per cent of the volume of fixed-interest securities issued from foreign sources. Until 1977, fixed-interest bonds accounted for a steadily increasing share of the total trading done on the Frankfurt Exchange, but during the last couple of years this process has been halted. Last year shares took 39.3 per cent of total business, compared with 33.9 per cent in 1977.

For a country with such a powerful economy as West Germany's, the role of share capital is still rather underdeveloped. For companies, equity capital is still a relatively expensive way of raising finance, while shares also have a very low priority for the average German investor.

A study by the Frankfurt stock exchange has shown that less than 10 per cent of more than DM 500bn raised by German companies in the past ten years, came from equity capital raised through rights issues. The proportion of equity to debt in German companies' financing has actually fallen in recent years.

Another reflection of the relatively diminutive stature of the Federal Republic's stock markets, compared with the operations of countries such as the U.S. or the UK, is the number of companies quoted. At the end of 1979 only 458 of West Germany's 2,000-plus Aktiengesellschaften, or joint stock corporations, were quoted. In the UK in 1978, 2,795 companies were quoted on the country's exchanges; in France the total was 1,101; Japan, 1,769, while in the U.S. New York alone could boast 1,581 company quotations.

Last year Frankfurt was trading in 406 quoted company stocks against 565 in Amsterdam, 2,788 in London, 2,192 in New York and 1,418 in Tokyo. Its role is far greater, however, in the trading of bonds. Last year it could boast 4,717 quoted fixed interest rate securities against 5,066 in London, 1,402 in Paris and 1,704 in Zurich.

Last year was not a happy one for the stock exchanges and Frankfurt's total turnover dropped to DM 31.7bn, compared

with DM 40.3bn in 1978. This was still an impressive performance judged against other German centres, but it has a long way to go to rival the business volume of London, New York or Tokyo.

This year Frankfurt has offered investors something of a roller-coaster ride, with peaks in February, June and August. But each time much of the momentum was lost. The volume of trading has picked up significantly over last year, however, with the turnover of shares rising in the first eight months of the year by 12.6 per cent to DM 9.8bn, while bond trading volume rose by no less than 35 per cent to DM 17.7bn.

The exchange's all-share index reached a new high of 102.39 for the year in mid-August. But by the end of the month, it had fallen back to 99.75. August was still a good trading month for shares, and even with the decline at the end of the month the index showed a 3.9 per cent rise over the level reached at the end of 1979. It was well above the low for the year, set in March, of 91.40.

Foreign bonds

Because of its position in the international financial community, the Frankfurt exchange is best placed to pick up foreign companies seeking a quotation in West Germany. The total number of German companies listed in Frankfurt has actually been falling, to reach 227 by last year compared with 272 in 1988. Growing interest in the German market from abroad, however, has increased the number of foreign companies quoted in Frankfurt from 42 in 1968 to 179 by last year. In the same period the number of foreign bonds quoted in Frankfurt jumped from 92 to 472.

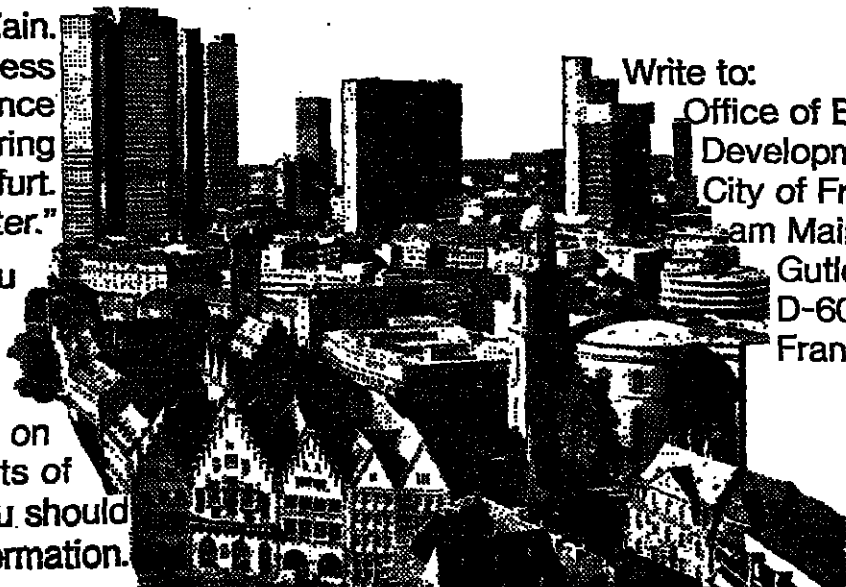
Equity capital quoted in Frankfurt at the end of 1979 had a nominal value of DM 95.1bn (DM 36bn from German companies and DM 59.1bn from foreign concerns), while the market value of domestic shares traded on the city's exchange was some DM 124bn.

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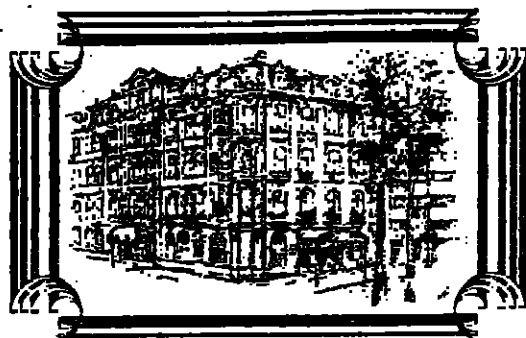
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FRANKFURT'S IMPORTANCE as a centre of communications in the Federal Republic is unrivalled. It lies at the centre of the country's rail and road network, is a focal point in West Germany's telecommunications system and, because of its position straddling the River Main, has long been established as one of the foremost inland ports. But it is above all to its airport that Frankfurt owes its dynamic growth into one of West Germany's most prosperous cities.

The city is unchallenged as the hub of West Germany's air communications and has also emerged as one of the world's major airports. In Europe it handles more air-freight than any other single airport, including London Heathrow, and it is second only to Heathrow as a passenger airport. In the world league it ranks as the fourth largest air-freight terminal after New York (JFK), Chicago and Atlanta and is the 12th largest passenger airport in the world.

Frankfurt airport owes its leading position not so much to the size of its own local population—although as the centre of the Rhine/Main conurbation it does serve around 2m people—but to its role as one of the major transfer terminals in world air travel.

More than 40 per cent of the 18m passengers using Frankfurt airport are passing through to join connecting flights, while as much as 70 per cent of the freight handled is for onward shipment to other locations. No other airport in Europe has such an important function as a transfer terminal and it is through this role that Frankfurt has built up such a wide range of flight connections to other points of the globe—direct scheduled flights to 187 cities in 87 countries.

Last year five more airlines—Braniff and Delta of the U.S.,

CAAC of China, LAP (Paraguay) and Air Lanka (Sri Lanka) added Frankfurt to their schedules and later this year South African Airways is starting a direct flight from Cape Town to Frankfurt. In addition Lufthansa, the West German national airline, which uses Frankfurt as the centre of its international flight operations, has opened up several new routes in recent months including flights to Leningrad, Peking and Kuala Lumpur.

Despite the existence of ten other regional airports in West Germany—some serving much larger cities than Frankfurt—Frankfurt airport last year handled 36 per cent of the Federal Republic's total air passenger traffic, 72 per cent of its total air freight and 58 per cent of the country's airmail.

Passengers

The result is that the airport has emerged as the third largest employer in the state of Hesse—trailing behind only Hoechst, the chemicals giant, and Opel, one of West Germany's leading volume car manufacturers. With a workforce of 30,800 and 18m passengers passing through its doors each year the airport clearly represents an important community in its own right. Apart from Lufthansa, with 13,000 employees (including flying personnel) and the airport administration with around 6,500, the airport is also the location for about 300 other independent undertakings. These provide a gamut of services, alongside the normal activities of catering and duty-free shops, from an interdenominational church to a sex shop.

The airport's growth has not, however, gone unchallenged. Inevitably an airport of this size has brought undesirable social consequences for the surrounding community. Frankfurt has taken over from

Amsterdam as the centre of the European heroin trade—largely as a result of its communications links and the high proportion of foreigners in the population. It has also borne the brunt of the growing wave of foreigners seeking political asylum in West Germany. Because of the airport Frankfurt is one of the Federal Republic's most important border checkpoints.

The most obvious social impact of the airport, however, is the effect it has on the surrounding environment. For nearly 15 years the airport has been fighting a planning and legal battle for permission to expand its facilities and in particular to build a new runway, but environmental opponents have fought it every inch of the way.

For several years the airport has been up against the limits of its capacity for take-offs and landings at peak periods of the day. Two years ago this led to such a congestion of flight movements and consequent delays that the very viability of the airport's future growth was put in question.

The airport has an operational ceiling of 55 flight movements an hour—although in good weather conditions this can sometimes be increased to around 66—and the airport authorities maintain that no more movements can be squeezed in with the present system of two parallel runways. Applications to expand through the extension of the present runway system and for the building of a new runway, "18-West," were filed in the mid-1960s. Permission was first granted by the state government of Hesse in 1971, but the approval immediately met a wave of local protest, and 104 objections were lodged against the decision. Nine years later 38 of these objections are still outstanding.

Earlier this year independent experts again backed the airport administration's case. In July, the Hesse Economics Minister, Herr Heinz Herbert Karry, gave the go-ahead for the start of work on the new runway.

The case is not quite that simple, however. There are still legal hurdles to be overcome and Herr Karry's move can be challenged in the courts. As for the airport administration, it still has to acquire the land on which it wants to build the new runway, 18-West, either through negotiation or ultimately compulsory purchase. For the opponents of the runway, defeat in the courts will only be the signal for a move to other forms of protest.

The airport administration has clear support for its case, from the city of Frankfurt, the state of Hesse and from the Federal Government. This is not altogether surprising as the three are also the airport's joint shareholders, and well aware of the economic advantages it brings.

Herr Erich Becker, chief executive of the airport, has warned that if the capacity cannot be expanded then airlines will start to move elsewhere, "above all to Paris, Amsterdam or Zurich, but not to other German airports." If the runway is built, however—construction alone will take more than three years—then flight movements could be increased by as much as 25 per cent, says Herr Becker.

Given the legal background, the airport is wary of giving more forecasts of traffic growth over the next decade. But last year it gave a "cautious estimate" that the number of passengers could increase by 6.75 per cent a year, freight by 7.10 per cent a year and flight movements by 1.2-2.5 per cent a year. Dramatic increases in airlines' fuel costs and the

squeeze on their profits has not made forecasting air traffic growth any easier. But even with no expansion, the airport is at the limit of its capacity and Frankfurt is clearly not betting on stagnation over the next ten years.

The city stresses above all the economic gain the airport represents for the region. It provides 30,800 jobs—a total that could grow to more than 40,000 by the end of the decade—and around 83,000 people in the region, when families and dependants are included. And it is also vital to the existence of around 42,000 more jobs in the region, which are involved in providing services to the airport, but are not actually based there.

High wages

It is also well-rewarded employment. The average gross annual wage at the airport last year was around DM 42,700, a year, compared with an average for the whole of the Federal Republic of DM 38,580.

As a result of the expansion work already under way on the existing runways, Frankfurt will next month finally moved up partially into Category Two as an international airport. Full Category Two status should come in the autumn of 1982. No other comparable international airport in the world of the size of Frankfurt has languished for so long as a Category One airport, with all the attendant limitations on traffic movements, particularly in bad weather. Years of opposition to the expansion of even the existing runways has badly hindered development work.

Inevitably the struggle over the airport dominates present discussion over the future of Frankfurt as a communications centre, but its other major transport functions are also of great importance to its economic

existence. The main railway station is the largest passenger station in the Federal Republic serving daily around 220,000 passengers, including commuters, offers direct connections to most of the major continental cities including Paris, Amsterdam, Copenhagen, Berlin, Warsaw, Belgrade, Vienna and Rome. Each day there are more than 1,900 train arrivals and departures, while the city's goods depots handle around 3m tonnes of freight a year.

Lying at the centre of the Federal Republic, Frankfurt also has a central position in the West German motorway network. No less than ten motorways radiate out of the city, a fact probably not unconnected with the very high car ownership in the city—the highest in the whole of the country, with more than 400 cars per 1,000 inhabitants.

Frankfurt's transport links are completed by the inland port, which handles each year more than 7m tonnes of cargo. As a major tributary of the Rhine, the Main gives Frankfurt connections by inland waterway systems to France, the Netherlands, Belgium, Luxembourg and Switzerland. With the completion later this decade of the Rhine-Main-Danube canal, Frankfurt will also gain a shipping link to the ports of south-east Europe and the Black Sea.

Within West Germany's telecommunications network, Frankfurt has also benefited from its central geographical position, and is a major transmission point particularly for international telephone calls. More than 400,000 international calls a day are put through Frankfurt, which now has direct dial facilities to 53 countries and operator connections to another 58.

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—Financial Times Sonderbeilage Frankfurt, Format 330 x 242 mm

The middle way of a right-wing Lord Mayor

NO ONE WAS more surprised than the Christian Democrat (CDU) when the Socialist citadel of Frankfurt came tumbling down at the last elections. Dr. Walter Wallmann, who was called from Bonn to lead the campaign, found himself a few weeks later—some what to his own astonishment—Lord Mayor (Oberbürgermeister) of the city. He is the first to admit that it was a job he had not reckoned with and certainly had not sought.

The fallen Social Democrat (SPD) leaders were openly scornful of his chances of running a city which had been called "ungovernable" in the early 1970s. At that time the SPD administration was rocked by scandals and appeared to have few solutions to the student turmoil in the streets, rampant property speculation, chaotic traffic conditions and a city centre that resembled a large construction site.

Wallmann acknowledges that in 1977 the CDU was only elected "negatively, because the others had to be voted out." But in the meantime the city has become a more peaceful place, and in the last three-and-a-half years the SPD has had to admit that it badly under-estimated its opponent.

Martin Berg, Frankfurt's Mayor who emerged as the SPD leader after the debacle in 1977 (senior city officials serve a six-year term and do not immediately lose their posts if the party balance in the city assembly changes), admits that the next election in March will not be easy. "We will do our best," he says modestly, but hardly with the conviction that the SPD is about to win back what for long it considered its birthright.

Coalition

Until 1977 the Social Democrats had not been ousted from power in Frankfurt since the war. They had ruled either alone or in grand coalition with the other parties. At the last election, however, the CDU captured 51.3 per cent of the votes compared with only 39.6 per cent in 1972. In the landslide the Social Democrats not only lost their overall majority, their share of the vote dropped from 50.3 per cent in 1972 to only 39.9 per cent.

Before he came to Frankfurt, Wallmann had been making a name for himself on the national political scene. Such is his enthusiasm for his present job, however, that he has in recent weeks turned down an offer from Franz Josef Strauss, the challenger to Helmut Schmidt for the Chancellorship, to play a leading role in the CDU/CSU's general election team. The offer bore the promise of an important Cabinet post if Strauss triumphed—against the odds—on October 5. "I said no," says Herr Wallmann. "I took on this job three and a half years ago and I can't just leave it."

Wallmann has always disarmed his opponents by seeking a tolerant middle way through the city's problems. "There



Dr. Walter Wallmann: A firm hand, guided by reason

offered 13 months ago to bring the smaller, Free, Democrat group into a coalition, but the Liberals declined in order to await the outcome of the election. The offer still stands, he says.

The effect of Wallmann's approach has been almost to put himself above the party divide. It might not have endeared him to the more extreme members of his own party, but it has made him into an electoral asset the CDU cannot do without.

Martin Berg still thinks that Wallmann's basic political instincts on national issues remain those of the Right-wing of the CDU, but he admits: "In Frankfurt he has been very clever. He has acted from reason and not from the heart."

Tough job

Wallmann's attempt to soothe the political divisions in the city could not be in sharper contrast to his predecessor Rudi Arndt, a former SPD State Finance Minister in Hesse. He was brought into Frankfurt as a strong-man in the early 1970s after the three previous Lord Mayors had all died in the job in their fifties. Many said this was the result of the stress of one of the toughest jobs in West German local government.

Arndt, now deputy chairman of the Socialist group in the European Parliament, was characterised by his nickname "Dynamit Rudi." Exasperated by the growing campaign from Frankfurt citizens for the rebuilding of the old Opera House—termed the "most beautiful ruin in Germany" after it was hit by a Second World War bombing raid—Arndt once offered to take funds from the state to buy dynamite to blow the ruin up.

Wallmann, aged 47, a lawyer by training and son of a north German school-teacher, learned his local politics in Marburg, where he was also briefly Oberbürgermeister. But he came to national prominence when elected to the Bundestag, the Federal Parliament, in 1972. He quickly became a member of the committee of the CDU parliamentary group and was elected deputy chairman in 1976.

In Bonn he was brought to public attention as chairman of the Parliamentary "Gullies Committee," which investigated the background to the East German "spy in the Chancellery" Günther Gullies, whose discovery caused the downfall of the then-Chancellor, Willy Brandt.

Wallmann's immediate political future is in the hands of the voters of Frankfurt in March, but there is little doubt that he will seek to return to the national stage at some point. He says himself: "If I could choose, I would stay here for 8-10 years to follow through a development. It will always be unfinished, but the physical demands are great and in that time I will have used up my creativity."

K.D.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Management abstracts

These summaries are condensed from the journals of abstracts published by Andor Management Publications. Readers wishing to consult original texts should write to: PO Box 22, Wembley, W19 8DQ.

Strategic Planning: Failure to Plan. R. G. Gutter in *Public Relations Journal* (U.S.A.), March 1980, p. 32 (8 pages).

An attack on the concept and practice of strategic planning, principally on the grounds that most companies do not understand what distinguishes it from long-range planning, which is incompetence by consultants who have built up the market but lack operating experience.

Entrepreneurship as a Mid-Career Alternative. J. D. Weinrauch in *Journal of Small Business Management* (U.S.A.), January 1980, p. 25 (7 pages).

Examines statistical evidence of the extent of executive mid-career change, and estimates the proportion who change to a one-person business; suggests adjustments that these people have to make, and difficulties that can arise when embarking on an entrepreneurial career; offers guidelines for such a change.

Rigid and Flexible Budgets. W. Bryans in *Management Accounting* (UK), April 1980, p. 30 (3 pages, chart, table).

Points to the conflict between rigid budget (which provides an unambiguous target but might prove unrealistic) and a flexible budget (which may be nearer to reality but implies abandonment of the target); discusses how, in budget-setting and variance reporting, a compromise between these two approaches can be struck.

Budgeting Techniques. M. Harvey in *Accountancy* (UK), April 4, 1980, p. 13 (1 page, table).

Summarises the objectives of flexible, probable income, and zero-base budgeting, and considers three sub-segments (change, identification, budgeting, performance auditing, and review period budgeting).

Current Cost Accounts—What do they mean? D. Ross in *Accountancy* (UK), April 1980, p. 83 (4 pages, tables).

Now that CCA has finally arrived (V.N. 5), explains the significance of the results and the interpretation that ought to be placed on current cost profit and loss accounts, balance sheets and funds statements; examines the meaning of the current cost profit attributable to shareholders.

THE MAXIM that "a new broom sweeps clean" aptly describes the aftermath of last year's controversial takeover by Dalgety, the international trading group, of Spillers, the flour, food and bakery concern. Not only has the entire main board of Spillers departed, but the company's operations have undergone a rash of plant closures, redundancies, de-centralisation and management restructuring.

Last Wednesday's financial results from Dalgety for 1979-1980 (including Spillers for eight months) provide for £20m of gross spending on the integration and rationalisation of Spillers, and it is likely that there will be a substantial write-down in the value of some Spillers' assets.

That Dalgety has been so active is not unexpected. Its directors put themselves on the line when they bid 13 months ago, claiming that Dalgety had the management expertise to do things for Spillers that its own previous Board had been unable to do.

When Dalgety made its £76m bid it was evident that it was taking something of a gamble because of Spillers' poor past record and because the outlook for some of Spillers' businesses was uncertain. Indeed, Dalgety's board, headed by David Donne, admitted the risk, and consequently reflected an offer price, which though representing a premium of nearly a quarter on the Spillers market price at that time, was substantially below the book value of its assets. One Dalgety non-executive director, Alfred Singer, reckoned that the gamble was too great and promptly resigned.

The Dalgety Board reasoned that, though a risk, much of the Spillers business—particularly animal feeds—was in areas where it had experience. Although its knowledge of Spillers' substantial food activities was undoubtedly limited, Dalgety also reckoned that it had established a good track record in turning round companies during its rapid surge in recent years of growth by acquisition.

Both David Donne and Terry Pryce, chairman and chief executive of Dalgety UK, believe that considerable progress has been made, and that Spillers is "at least as sound as anticipated in the pre-acquisition analysis."

Donne and Pryce evidently consider that throughout the protracted and frequently bitter takeover battle Dalgety was given insufficient credit for the amount of homework it had done. Investigations into Spillers began in July, 1978,

they say, 13 months before the bid was eventually made and just two months after Spillers divested itself of its heavily loss-making baking activities—at which point it "became attractive to Dalgety."

Pryce maintains that Dalgety's lengthy investigations showed Spillers' food business to be generally successful and competitive. This gave them confidence in their belief that they would not have to attempt any major surgery in an area with which they were relatively unfamiliar. They could concentrate their inherent expertise on Spillers' weaker businesses.

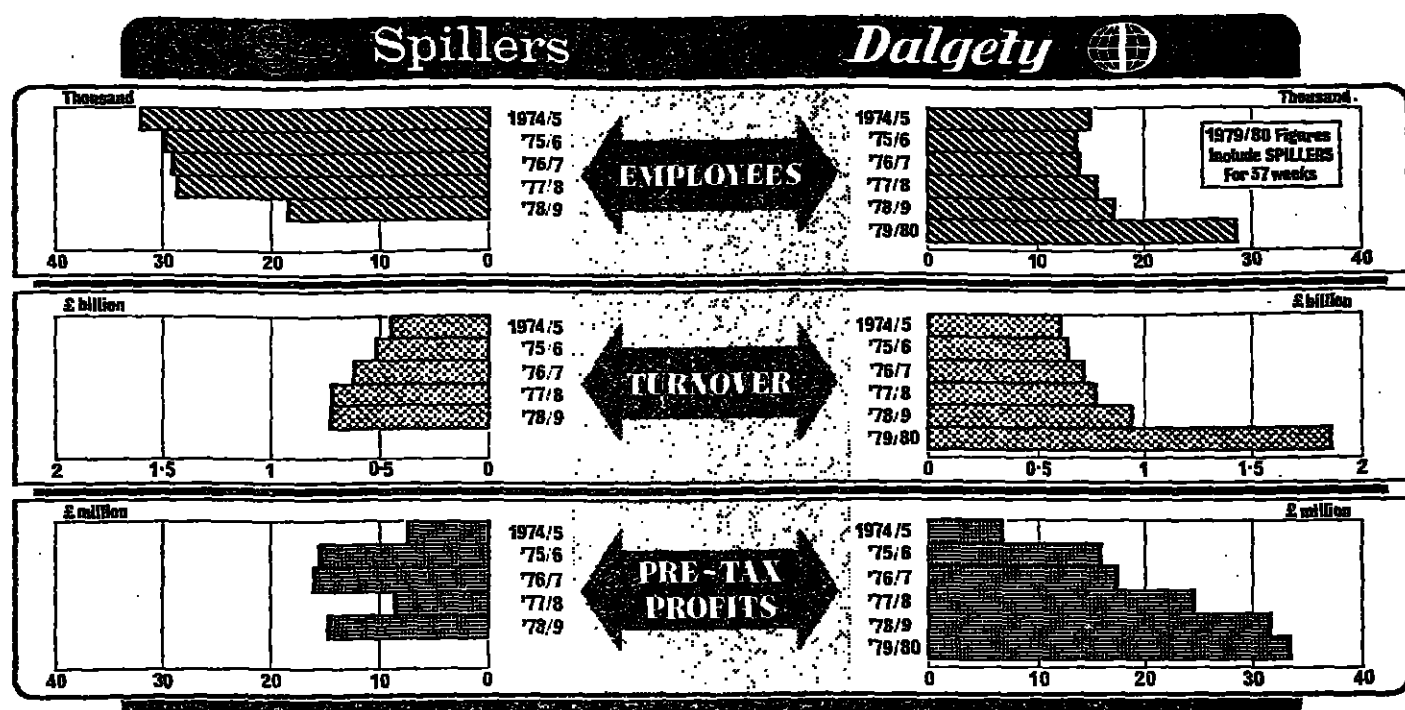
The reality, he says, has been even more favourable than expected. Profitability of foods—impossible accurately to identify in Spillers' report and accounts because the results were lumped together with some less profitable flour milling activities—has been healthy. Indeed, Dalgety's faith in this side of Spillers' business has been exemplified by the appointment of Geoffrey John, previously managing director of Spillers Foods, as managing director of Dalgety Spillers Foods, taking in the two groups' interests.

But if foods have been a pleasant surprise, Spillers' agricultural business has been less successful than was hoped. It is tempting to suggest that, whereas it was understandable that Dalgety's assessment of Spillers Foods should be at variance with the actual situation, given its inexperience in this area, it should have been closer to the mark with agriculture. Pryce accepts this proposition, but argues that, even with close investigation, it is very difficult to get an accurate picture of a company from the outside, however familiar the business.

Overmanaging was found to be greater than anticipated, there was between 15 and 20 per cent manpower at Spillers' animal feed mills than at comparable Dalgety mills. Spillers was also handling a greater level of marginal business than Dalgety considered was warranted. This involved generally small amounts of feed where profit margins were extremely narrow and which were thus reducing the overall profit margin. A shakeout in animal feeds, milling and merchandising has resulted in over 500 redundan-

Sifting the takeover crumbs

Since acquiring Spillers, Dalgety has been undertaking a major shake-out. Nicholas Leslie reports



cies at all levels, and the closure of five Spillers mills.

Four milling prospects proved, on inspection, to be much as expected; which is to say uncertain because the level of supplies going to ABM and Ranks Hovis MacDougall have been systematically reduced and will have been completely phased out by 1984. However, Dalgety now reckons the business can be developed in areas other than baking and is therefore planning a major investment programme to modernise and rationalise the flour mills.

Much of what else has taken place in the UK stems from the diametrically opposed management styles of the old Spillers board and Dalgety's directors. Put simply Spillers was very centralised, with a great deal of activity under the direct control of the main Board. On the other hand, Dalgety is highly decentralised, with the five divisions and the companies

within them operating with considerable autonomy, though within the constraints as defined centrally by strategic plans, budgets and formal levels of authority.

Compared with Dalgety's head office staff of 24, Spillers' strength was 175. It also had other central services, including a research establishment with 213 people, a computer centre with 267 people and 49 in transport services.

Because of what Dalgety felt were irreconcilable differences in approach to management, the Dalgety style has now been imposed, with the new Dalgety Spillers company having a head office staff of just 60. Research activities have been cut back to those "most relevant" to the group's businesses and the central computer services will be closed next March. Central staff have been cut overall by more than 650. Savings of over £3m are said to have resulted, although it is unclear whether this is net of any costs that may have been pushed down the line from the centre.

In addition to these cutbacks, some small activities have been sold, such as broilers, pet and garden supplies and the Carlow abattoir. Others will go later.

One area in which Dalgety's loss should be the only loss and sold stock at minimal margins," says Pryce. At the same time, the top management of the frozen foods processing business was changed. Now, Pryce reckons that the market itself is gradually coming into shape.

The effort required to resolve the problems with frozen food did not affect Dalgety's ability to sort out Modern Maid, Pryce maintains. Peter Gardiner, head of Dalgety Inc. in the U.S., moved into Modern Maid with two senior colleagues in March and a radical reorganisation took place. The chief executive appointed by Spillers after it bought Modern Maid was replaced by the existing finance director. At the same time, the remaining influence of the family which formerly owned Modern Maid was removed.

The downturn at Modern Maid, according to Pryce, was largely due to the fact that the plants were not working properly. This was particularly true of a large new plant that had only recently been brought on stream. A major effort was put into getting things right and the problem "is now over," he says. An additional weakness emerged when Gardiner started to look at Modern Maid's distribution

costs. To reverse the upward trend, Gardiner enlisted the help of Dalgety's Martin-Brower subsidiary, which provides specialised distribution services to the food industry and which "is going very well and produces better and better profits," says Pryce.

Despite the improved position, there is some doubt over Modern Maid's long-term future within the group. "The question we must ask ourselves is whether Modern Maid will provide a leg for the future," says David Donne. He acknowledges that Dalgety and Spillers, overall, have not yet been very successful in the U.S., and for the next big push there "we must have the right launching pad."

Elsewhere in the Dalgety group little structural change is likely to take place. The malt and chemical divisions have not been affected by the Spillers acquisition, nor has Canada, where the Balfour Guthrie timber subsidiary has been "an unbounded success ever since we have been there," maintains Donne. The Australian interests have been similarly unaffected.

One major result of the steps taken at Spillers this year has been to push responsibility for generating profits further down the line. There are now more profit centres and thus more points at which performance can be closely monitored. Pryce acknowledges, though, that some of the steps taken were being thought about by Spillers anyway and that, coming in fresh to the situation, Dalgety was in a strong position to be able to put them into effect quickly.

It could be argued that what has taken place at Spillers accords with good business school theory—cut overmanaging, reduce waste, put in better control systems, install new people and make more people more accountable. That, then, should clear the decks for action. What has to be proved next is that the combined group is actually moving in the right direction and has the right products and the markets for expansion. Proof of that will be longer coming.

And, of course, at the end of the day, it will probably be only Dalgety Spillers Foods which will provide any real yardstick of performance, since the vast majority of this division is Spillers business. For the most part, the other Spillers activities will soon be integrated with Dalgety and thus indistinguishable from the rest.

Technical News

EDITED BY ARTHUR BENNETT AND ALAN CANE

NAVIGATION

Radar lead by UK company

NOWADAYS, much of the art of marine radar lies in the way in which the returned signals are processed to give the best possible picture and navigational facilities on the screen.

The name of the game at the moment is ARPA, which stands for automatic radar plotting aid, the name given by the International Maritime Organisation, IMCO, to the new generation of computerised radar displays which are to become mandatory for all larger vessels during the 1980s.

This week, Racal Decca Marine Radar has launched an ARPA unit driven by five microprocessors in an internal distributed data-processing network which, it is claimed, gives a superior result to anything offered so far.

The new company, formed after the recent amalgamation of Decca and Racal, already has some 2,000 anti-collision radars at sea; it is aiming the new set at a possible 3,000 vessels whose owners will be looking for something "rather more useful" than equipments that do no more than just meet the IMCO requirements.

Basic point about ARPA is that a computer and memory are used to acquire data about radar targets (ships) which can then be used for general navigational purposes on a "what would happen if" basis. The manipulation extends to displaying the effect of a change of course at some time in the future and normally includes such tasks as plotting possible collision courses. The position of a number of ships at a selected time in the future can be easily called up and the display can be in true or relative motion form.

Where Racal-Decca claims to have scored is in the way in which the data are acquired and processed. For example, the equipment does not acquire the targets on the same basis but, due to the five task-oriented microprocessors, can look at each separately to take account of gain needed and tracking time constant so that all ships' paths are shown in rapidly updated form, with great clarity.

What is more, the computers carry on these tasks regardless of the way in which the operator may be altering what is on the screen. Optimisation is carried out on each target individually regardless of size and range.

Racal-Decca believes that this technique of updating targets more frequently if they are altering their behaviour noticeably, coupled with gain optimisation gives the best compromise between a stable picture showing the correct overall velocities and a lively presentation giving the earliest warning of other ships' manoeuvres.

All the target data is stored in true motion as opposed to relative motion format. This means that the velocity data does not need to be re-established following the change in relative motion that results each time own ship alters course or speed. Instead, tracking is updated throughout own ship's manoeuvres even if own ship is under helm indefinitely. Once again, there is minimal delay in the presentation of data.

In addition, there are three data extraction systems able to work at the same time, so that three targets of the same bearing line can be dealt with if necessary.

For the operator, acquiring targets is a simple matter. He uses an omnidirectional joystick which moves a small circular cursor across the screen to embrace the target which is then acquired for processing by depression of a button. The best possible tracking and manipulation of that target in relation to others that have been acquired can be carried out. Acquired targets are marked with a window on the screen and up to 20 can be accommodated. In general the controls are similar to those of the company's Clearscan presentation of numerical data throughout (range and bearing on the bezel of the 16-in screen).

The company says that it has spent about £2m on the development of its ARPA set, which has been on trial in prototype form on the British Rail ferry Horsa for some time. A similar Horsa has been in action at HM Coastguard, Dover, for three years. The development has been financially assisted by the Ship and Marine Technology Requirements Board of the Department of Industry.

Deliveries are expected in the autumn of next year and the price is about £30,000.

GEORGE CHARLISH

MATERIALS

Withstands the heat

SAID TO have been originally developed as a heat shield material for space craft, a carbon fibre based substitute for asbestos called K-Karb is being offered for use in industrial processes where strength and resistance to heat are paramount requirements.

It is being supplied by Paladon (Engineering) Chequers House, The Green, Flore, Northampton NN7 4LG (0327 40783). This company describes the material as a fibre reinforced structural graphite (almost 100 per cent carbon) which can withstand temperatures up to 2,000 degrees C in an inert atmosphere.

The material is stated to have been used successfully in glass manufacturing processes, particularly in the handling of molten glass straight from the furnace. It is available in sheets and rods of varying thicknesses and can be cut, machined and drilled using standard carbide tools.

ACOUSTICS

Haven from noise

PROMISING TO solve shop floor noise problems is a new quiet room from Sound Attenuators, Eastgate, Colchester, Essex (0206 68111), which comes complete with doors, windows, lighting and ventilation.

Called the SAI, the refuge is its special characteristic is its frameless construction—something rarely found in heavy duty enclosures, claims the company.

The acoustic panels which form the refuge fit together with a special compression lock, and the roof—also of modular design—is completely supported by the walls.

TELEVISION

Recorder in the camera

A BRIEF report from Reuter in Tokyo indicates that Hitachi has developed an integrated colour television camera and video cassette recorder which it has tentatively named "mag camera."

Apparently a high density recording technique is used on a 0.25 inch tape which plays for two hours. No other technical details are available except that the unit weighs 2.6 kg and can be played back on an ordinary television set.

Hitachi plans to go into production of the unit "within a few years" and hopes to market it at a price of about ¥300,000 (£600).

COMMUNICATIONS

Electronic call-for-help system

THERE ARE now some 8m people over the age of 65 in the UK, and about 3m of them are over 75. These statistics, coupled with a growing unwillingness of the young to look after the old, probably means that electronic call systems of the kind now being operated by the Borough of Harrow and developed by the Medical Research Council will become quite widely used.

At all times in home or garden, the elderly person wears a 68 x 48 x 19 mm miniature transmitter weighing only 75 gms with a neck cord. In the event of trouble the user lifts a safety flap on the unit and presses the button, whereupon the unit sends a coded signal on a 97 kHz radio carrier to a wall-mounted receiver which is in turn connected to an auto-dialler. The code is unique to the user so that other persons so equipped in the district could not trip the user's wall unit.

In this system the resulting phone call is not made direct to a helper but to a software-driven computer-based central unit devised by MRC's Clinical Research Centre.

During the dialling process the bell "tinkle" is unsuppressed so as to give the incapacitated user reassurance that the call is going out. The call is repeated four times or until acknowledged by the central station. Immediately, date, time and identity are logged on a printer.

Then, the computer checks the identity number against the list of helpers it holds in its memory and selects three designated people and calls them in order: the first two would be neighbours with ready key access and the third a "long stop." The central unit then plays an appropriate recorded message to the helper which includes a synthesised three-digit spoken number identifying the person in trouble. By dialling a number, the helper indicates his readiness to provide help.

COMPUTERS

More new machines

IBM has announced new models in its 4300 series computer range, a range which set new standards in price/performance for the industry.

The new machines, central processors designated the 4341 group 2, are claimed by IBM to be 80 per cent faster than the 4341 group 1 machines, their immediate ancestors and are available with up to 8m characters of main storage, twice the previous capacity.

First customer shipments of the new processors are scheduled for the second quarter of 1981 and upgrades from Group 1 machines to Group 2 machines will be available from the same dates.

With 2m characters of main storage, the U.S. price for the 4341 Group 2 is \$385,000. With 8m characters, the price is \$479,300.

Burroughs also announced a new mid-range machine this week. It claims the new

system, the B 5900, is smaller, more technically advanced and less than half the price of any comparable system.

Such claims are not uncommon but with the rate of development of computer architecture, likely to be justified at least for the moment. Burroughs is recognised for the advanced computer architecture it has developed and in the B5900 it has used a concept it calls function processor architecture, an internal structure of computers within computers.

It means a number of processors within the computer assigned to dedicated tasks—controlling the peripherals, data manipulation or organising the peripherals.

The basic machine costs £160,000 with 1.5m bytes of main store. In the UK, Burroughs is offering the B5900 Link System, dual central processor and 800 megabyte disk pack and line printer, all for £370,000.

QUALITY CONTROL

Slows the motion

AN INTERESTING spin-off from the instant movie process, Polaroid, introduced by the Polaroid Corporation two years ago is a high speed recording system for industrial applications.

The equipment consists of a Meikei 300 precision cine camera able to work at up to 300 frames a second, and a developer-projector.

Slowing down motion by 20 times allows faults in packing, wrapping and capping machinery for example, to be seen and rectified and there are many other potential uses.

More from John Hadland (Photographic Instrumentation), Newhouse Laboratories, Bovingdon, Hemel Hempstead, Herts HP3 0EL (0442 832625).

All the proceedings are logged on the printer.

A particular advantage of the system, which is known as Hatana, is that when helpers leave the system and others join their phone numbers are altered by software techniques and not by visiting old persons' homes to change tapes.

The system has had the backing of the National Research and Development Corporation and the domestic units are being made by Turnstall Byers and Co. Further work is progressing at the Clinical Research

Centre to try to reduce the cost from the current figure of over £300 per home to about £200. It is hoped that the modified equipment will become commercially available in about 18 months' time for use throughout the country.

Other authorities apart from Harrow are expected to take an interest because not only does Hatana provide reliable assurance for retired people—it also allows them to stay in their own homes for an extended period into retirement, cutting the cost to the ratepayer of support-

micropad

Writes to your computer

Formidex 02020 851518

ing them in authority homes.

More information can be obtained from Mr. K. Crossfield, NRDC, Kingsgate House, 66, Victoria Street, London SW1E 6SL (01-828 3400).

Fast movers take the pick

If you're looking for a factory you'll have to move fast if you want one of ours in South Yorkshire.

Earlier this year the County Council announced a programme to build 36 Advance Factory Units. By August, 18 units were complete and over half had been let or allocated. The remaining 18 units will be completed before the end of 1980 and we are already dealing with applications for them.

The County Council is able to offer financial assistance in certain circumstances and is always able to provide help with applications to other bodies offering assistance.

Write, telephone or fill in the coupon for more details. The Employment Promotion and Development Unit, South Yorkshire County Council, County Hall, Bamsley, South Yorkshire, S70 2TN. Telephone: (0226) 86141.

We can offer you:

- Rents as low as £140 per sq. ft.
- Space ranging from 1,250 sq. ft. to 7,500 sq. ft.
- Varying locations; near Bamsley, Doncaster, Rotherham and Sheffield.
- Small office development site in Central Sheffield.
- Excellent communications.
- An adaptable labour force with a wide range of skills.

Also if you are more interested in building your own factory we can offer serviced land from one to sixteen acres.

South Yorkshire County Council

Name _____

Company _____

Address _____

Lombard

The price of monetarism

BY PETER RIDDELL

"IT HAS" been argued that obsession with a single objective (reducing the rate of inflation) is causing unnecessary harm to the economy in terms of loss of output, jobs and investment. That argument cannot simply be ignored. The Government's policy is based on the view that either the costs are unavoidable or that they are worth paying. We have always argued that in current conditions the control of inflation must be regarded as a primary aim of policy. We do not believe that it is worth paying any price to achieve it; that is why we persistently argued against a reduction in the level of public sector borrowing in this year's Budget.

This quotation comes not from a secret paper of the Cabinet "wets" but from an eminently "dry" source, the June Economic Outlook of the London Business School. The point it raises is at the heart of the current debate about economic policy. The argument is not easy to resolve. So far the recession has not been significantly different from what was expected. The fall in Gross Domestic Product over 1980 as a whole may not be much larger than the 2½ per cent decline forecast in the March Budget.

The pattern of the recession has, however, differed from earlier expectations. Manufacturing industry has suffered most with a likely fall in output this year of between 6 and 10 per cent compared with the 4½ per cent drop forecast in March. In contrast, activity in the private service and public sectors has so far held up.

Shake-out

Some of the problems of manufacturing, particularly in parts of the textile and motor vehicles sectors, can be regarded as a brutal adjustment to an inevitable and long-delayed contraction. Companies are also clearly taking advantage of current conditions to introduce long-term labour saving investment programmes. Consequently, some of the cutbacks may represent a desirable shake-out of surplus labour.

The snag is that the closures and redundancies may be further and involve the end of the cutback of essentially "viable" operations. This is obviously a highly subjective question and what seem viable to you may look like a long-term loss to me. But a monetary squeeze and a strong pound affect both the efficient and the inefficient. The worry, as expressed in the Midland Bank review, is that by 1984 there may be shortage of plant (and of skilled labour) to meet a growth in real demand.

The key to the industrial outlook is interest rates and sterling. Industry would like the Government to declare a victory in the battle against inflation and then cut M.L.R. by three or four points, while Mr. Healey has suggested the same result after an admission of defeat. Neither course is likely, though M.L.R. will probably be cut gradually in small steps during the autumn. But when this happens and if the pound declines, the real exchange rate is still likely to be considerably higher than if North Sea oil did not exist, hitting producers but benefiting consumers. Some contraction in manufacturing industry is thus probably unavoidable.

Within these constraints there is, however, a lot the Government can do to minimise some of the current risks and the social consequences of the recession without endangering the thrust of the medium-term strategy. Across-the-board concessions, such as a cut in the national insurance surcharge, might weaken the Government's resistance to high pay claims. But a more selective approach could help, with assistance in favour of job creation rather than preservation and in favour of certain regions and young people.

The Government should also consider Mr. Healey's suggestion that all men and women who have been on the unemployment register for at least a year should be offered job training. The cut in the real value of unemployment benefit could also be reversed. There are long-term arguments for seeing that the unemployed are not better off than those in work but the timing is wrong.

The danger is that without some of these measures the support needed for the success of the medium-term strategy will be eroded. However, anyone supporting the proposals should be prepared to pay for them and to accept a rise in income or other taxes if that is indicated by next year's Budgetary outlook.

Orson Welles. — 12.40-12.45 pm

SCOTLAND. — 12.40-12.45 pm

Reporting Scotland. 10.15 The Beechgrove Garden. 10.45-10.50 News for Scotland; National News.

NORTHERN IRELAND. — 3.55-3.58 pm Northern Ireland News. 3.58-4.00 News for Northern Ireland; National News. 12.40 am News and Weather for Northern Ireland.

ENGLAND. — 3.55-4.00 pm Look East (Norwich); Look North (Leeds, Newcastle); Look West (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth); 10.15-10.45 pm East (Norwich) Weekend; Midlands (Birmingham) Riding on Top of the Car; North (Leeds) Girls in the Saddle; North West (Manchester) Country Concerns; South (Southampton) More Ways Than One; South West (Plymouth) Brainsave; West (Bristol) Trees for all Seasons.

BBC 2

6.40-7.55 am Open University. 11.00 Play School (As BBC1 3.55 pm).

2.30 pm Racing from Newbury. 6.55 Darts. 11.00 World Team Match. 11.00 World 7.25 Mid-Evening News. 7.35 Macdonald's America. 7.35 Gardeners' World. 8.20 Southampton International Boat Show. 9.30 Escape. 9.50 Ronnie Prophet Entertains. 10.45 Newnight. 11.30 Darts. 12.15 am The Outer Limits.

LONDON

9.50 am Rocket Robin Hood. 9.50 Nature of Things (the Mendi). 10.40 Story Hour. 11.30 The White Stone. 12.00 A Handful of Songs. 12.10 pm Once Upon a Time. 1.00 News. 1.30 For Mistle With Love. 2.00 Houseparty. 2.25 Racing from Ayr. 4.15 The Dandy Mystery. 4.45 Runaround. 5.15 Emmerdale Farm. 5.45 News. 6.00 Thames. 6.30 Thames Sport.

RADIO 1

(S) Stereophonic Broadcast. Medium Wave only.

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.30 Simon Bates with The Golden Hour (part 1). 10.30 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burrell. 2.25 Simon Bates with The Golden Hour (part 2). 3.32 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable. 7.31 Annie Nightingale. 10.02 The Friday Rock Show (S).

Solution to Puzzle No. 4377

ACROSS

1 Wave unlikely to drown cracksmen (4, 7)

7 Nearbully (3)

9 Farewell to tip-top servant (5)

10 Barometer on landing stage featured in Mirror at length (4, 5)

11 Iron-master newsmen sank (9)

12 Soothing word put yonder (5)

13 Aircraft sold for cutting down (7)

15 Discontinue little drink (4)

18 Pack self-starter on tug (4)

20 Quality inspector of needle-work (7)

23 Inclined to spare road junction (5)

24 Extended all the runners in the deep (4, 5)

26 Address of daughter is on route (9)

27 Near a fresh battleground (5)

28 Firm in decline (3)

29 Travelling footman got up to bloom (7, 4)

DOWN

1 Except on front stay dignified (4, 4)

2 Come across start to fight (4, 4)

3 Degree to which Mr. Heath is restrained (5)

4 Concerto featuring the roost in Roman times (7)

The attractions of a canal terminus

BY RHYS DAVID

UNTIL the announcement last month by Bowater that it was to close its big newsprint mill with the loss of 1,600 jobs, Ellesmere Port had rarely made any impact on the national consciousness.

Neither was it a place many people tended to visit, except in the line of duty—tanker drivers needing to find their way to the busses of Shell and Burmah, or delivery drivers journeying to and from Vauchan Motors.

Indeed cut in half nowadays by motorway, it is no longer even passed through on journeys up and down the Wirral Peninsula between the Dee and the Mersey.

Yet within the next few years this predominantly industrial town in Cheshire will be housing what promises to be one of England's biggest tourist attractions, capable on relatively modest estimates of drawing more than 200,000 visitors a year.

Ellesmere Port owes its emergence as a potential if surprising tourist centre to its history as a major canal terminus—the connecting point with the Mersey for the Shropshire Union system. Here sea-going vessels entered a lower basin where their goods were transferred into warehouses for onward shipment by narrow boats from a basin above.

At its height in the nineteenth century, Ellesmere Port was handling large tonnages of china clay and bone ash for the Staffordshire potteries, grain for four mills, iron ore and other commodities.

An impressive series of warehouses was erected and in 1876 a pump house was added to accommodate two steam pumps, which provided hydraulic power for the cargo handling equipment.

The old canal port was in use until 1958, shipping tar from Stanlow, but the loss of this canal boats which were then being lost and they were looking for a "home", recalls Mr. Gary Carlisle, planning officer with Ellesmere Port and Neston Borough Council. The council itself was seeking to improve the site and persuaded the Manchester Ship Canal Company and the British Waterways Board to grant a sub-lease to a peppercorn rent for a museum to be developed.

Since 1974 the emphasis has changed from preventing further deterioration to restoration and, more recently, to fitting out the site. The Department of the Environment was persuaded to give derelict-land grants towards the early work of clearing old vegetation and rubble, and assistance through the various job creation schemes was obtained for township clearance.

Work of the restoration work has been carried out by Trust volunteers, but financial and other support towards the estimated £500,000 cost of fitting out the site is coming from a number of public and private sources, including the English Tourist Board, the Historic Buildings Council, Ellesmere Port and Neston Council, Cheshire County Council, and Shell. Other organisations have donated boats, among them ICI which has handed over one of the ships in its Brunner fleet of barges.

The site now contains 30 vessels in various states of repair. Much of the restoration work has been carried out by Trust volunteers, but financial and other support towards the estimated £500,000 cost of fitting out the site is coming from a number of public and private sources, including the English Tourist Board, the Historic Buildings Council, Ellesmere Port and Neston Council, Cheshire County Council, and Shell. Other organisations have donated boats, among them ICI which has handed over one of the ships in its Brunner fleet of barges.

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canal boats which were then being lost and they were looking for a "home", recalls Mr. Gary Carlisle, planning officer with Ellesmere Port and Neston Borough Council. The council itself was seeking to improve the site and persuaded the Manchester Ship Canal Company and the British Waterways Board to grant a sub-lease to a peppercorn rent for a museum to be developed.

Since 1974 the emphasis has changed from preventing further deterioration to restoration and, more recently, to fitting out the site. The Department of the Environment was persuaded to give derelict-land grants towards the early work of clearing old vegetation and rubble, and assistance through the various job creation schemes was obtained for township clearance.

Work of the restoration work has been carried out by Trust volunteers, but financial and other support towards the estimated £500,000 cost of fitting out the site is coming from a number of public and private sources, including the English Tourist Board, the Historic Buildings Council, Ellesmere Port and Neston Council, Cheshire County Council, and Shell. Other organisations have donated boats, among them ICI which has handed over one of the ships in its Brunner fleet of barges.

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THE ARTS

Palace

Oklahoma! by B. A. YOUNG

Oklahoma! is as much a classic as *Gormer*. When this production was announced, I wondered whether it could compete with the endless performances by amateur groups, with whom it is a favourite. There is no doubt that it will, not only because it is such a fine show, but because it is so ably done. I hope it runs for years, so that I can go and see it often.

What makes it such a favourite is that extraordinary run of songs. Nowadays if you have one hit song in a musical, that is about all you expect, and it normally comes half-way through the second act. In *Oklahoma!*, the curtain has only just gone up on Aunt Eller churning milk on an otherwise empty stage (and how this opening worried the investors in 1943), when a voice offstage begins singing "Oh, what a beautiful morning!" and on comes Curly, singing his heart out in a song specifically designed to set a mood of happy optimism. But this is not all. Before the first scene—not the first act, the first scene—is over, we have also heard "The Surrey with the fringe on top." Everything's up to date in Kansas City. "I'm just a girl who can't say no." Many a new day, and "People will say we're in love." No musical before or since ever started like this.

At the Palace, as is well, Aunt Eller is Madge Ryan, almost the only well-known name in the predominantly young company. Laurey's farmhouse, with its background of tall corn, is a stunning design by Tim Goodchild; and Curly is John Diedrich, a splendid newcomer from Australia, handsome of face and handsome of voice. Curly is taken by Rosamund Shelley, radiantly pretty and clever. The story, derived from a novel by Oscar Hammerstein, is simple and sweet. Curly, the roofer and Jud Fry the baddie, battle for Laurey, and by way of a sub-plot two men, Will the romantic (Mark White) is romantic enough but a little short of muscle) and Al Hakim the comic (Linal Haft is that all right) battle for Ado Annie (Jillian Mack, who combines the comic quality of the one with the other's need for a touch more strength).



John Diedrich and Rosamund Shelley

After a descent into gloom in Jud's smokehouse, where Alfred Molina seems near to accepting Curly's invitation to bang himself, we return to another of the show's novelties, the long ballet, choreographed by Agnes de Mille and re-staged by Gemma de Lappe, that expresses the emotions of the moment better than pages of Mr. Hammerstein's rustic dialogue could. Dancing starts the next act too, with the big party where all the disputes are set in train for solution. Curly wins Laurey, poor Jud is duly dead and Indian Territory becomes Oklahoma to a terrific chorus. No doubt about it, it's the songs that make the show, and alas, their genre has disappeared. There can never be a satisfactory rock musical, to my mind, because rock has not this singing quality, that goes back through Kern and Friml to Lehár and Strauss (not Richard). When a composer comes along who has ideas like the triplets on the strong beats in "Many a new day," the ability to compose a long developing ballet like "Out of my dreams," we may hope again. Meanwhile, it is one of the songs of the musical revivals that currently entertain us that they reveal the inadequacy of their more recent rivals.

On the other hand, they remind us that there is still a call for real singing (even if discreetly amplified) and real dancing. James Hammerstein's production and Ray Cook's musical direction ensure that we have both, and Tim Goodchild's designs keep them fine to look on. This *Oklahoma!* must surely please everybody.

Cinema

The Marriage of Maria Braun (AA)
Screen on the Hill, Cinecents, Odeon Kensington
The Third Generation
Electric Cinema Club
(from Monday)
German film week
National Film Theatre
Xanadu (A) Plaza
Chiquiango ICA

Films continue to tumble out of the amazing Rainer Werner Fassbinder in a way hardly seen since Hollywood's conveyor-belt days, when a director thought nothing of notching up six low-budget westerns a year, with the same actors, horses and backdrops slightly shuffled around. After his 1978 film *In a Year With Thirteen Moons* a fortnight ago, we now—in the same week—have another film from 1978, *The Marriage of Maria Braun*, and one from 1979, *The Third Generation*. But in some ways Fassbinder is beginning to seem more like a studio than an individual director: the films are bound together by their repertory company of performers and technical staff, yet their style and quality jump about like firecrackers. *The Third Generation*, for instance, is a fairly hideous, incoherent potboiler, thrown together with fury. *The Marriage of Maria Braun* is made with deliberate "artistic" style, cool and classically controlled.

Fassbinder has probably won more commercial success with his romantic story set in post-war Germany than in any previous film, and its lead performer, the luminously beautiful Hanna Schygulla (familiar from Fassbinder's earlier *Erfi*), is now in a position to turn down work with Marlon Brando. The reasons are obvious. The narrative is strong and simple, and all the world loves a pair of lovers, especially when there are so many obstacles and complications put in their way. Maria's love for Hermann has to survive separation, immediately after their wartime marriage (splendidly conducted among falling bombs and debris); there is further separation once Hermann returns and is put in prison for allegedly killing Maria's friendly black American soldier. While Hermann waits behind bars, Maria visits him in increasingly resplendent costumes—a testament to the wealth she's acquiring (on Hermann's behalf) in her job as personal adviser (and more) to a textile industrialist.

Fassbinder, with his well-known devotion to the Hollywood melodramas of Douglas Sirk, knows exactly how best to orchestrate such a tale with clangorous chords of music, or to use the interior décor to reflect on his characters (characteristically depicting them within a complex framework of doors, stairways and windows). But he has still left out one key ingredient from the recipe: emotional urgency. "It's a bad time for emotion," Maria muses at one point during her self-willed journey up the ladder of material success, "but I like it—nothing can really hurt you." Unfortunately, as the film advances, Fassbinder seems to have taken her too much at her word—achieving his effects of style with so much precision that nothing can really hurt, or touch, the audience either. Moreover, the parallels Fassbinder strives to make between Maria's progress and the progress of post-war Germany remain far too submerged to be of any use. *The Marriage of Maria Braun* contains a good deal of impressive cinema, but too much of it smacks of cold calculation.

The Third Generation veers to the other extreme—a film so noisy and frenetic, so rough-hewn in its construction, that audiences are advised to watch it with a damp flannel permanently across the forehead. It is subtitled "A comedy in six parts about party games, full of suspense, excitement and logic, horror and madness"; those performing the party games are a group of notably confused terrorists seeking to kidnap a prime symbol of degenerate capitalism—the director of a multinational computer organisation. Fassbinder's regular company appear with two French recruits, Bulle Ojter and Eddie Constantine—who help to reinforce the film's connections with the stylistically and politically anarchic work of Godard in the Sixties. But Godard's lucidity and wit is nowhere in evidence. Those interested in seeing German films not directed by Fassbinder will have plenty of chances at the National Film Theatre from Monday, September 22 to the following Sunday, when 13 recent productions are on view. Anyone terrified of straining themselves with a pair of redundant earphones (there are far too many of

them in NFT2) will be pleased to find that all but one of the films carry subtitles. Monday's offering is *Heidi Genée's 1+1=3*, a film so full of warmth, so alert to the intricacies of its characters, that even earphones couldn't kill it. The title's erratic equation comes about because heroine, an unmarried actress superbly played by Adelheid Arnt, decides to have her baby without the aid of two ministering males (one of them the father), and despite the advice of friends or professional colleagues. Hardline feminists might be disconcerted by Heidi Genée's decision to treat the situation as optimistically and cheerfully as her heroine, but the rest of us should be enormously gratified to find a film which concentrates with such honesty on social issues and human relationships, and never loses its sense of humour in favour of breast-beating or self-pity. The film is repeated on Saturday at 4.15; let us hope that a proper commercial run in London isn't too far away.

Now then. It isn't every day someone up on the silver screen calmly says "I'm the daughter of Zeus" (actually Zosée) and "I come from Mount Helicon". *Xanadu* must therefore be

recommended to all snappers-up of unconsidered trifles, especially when the immortal person in question is Olivia Newton-John, flouncing about with one or more shoulders bare and about as much charisma as a lamp-post. Her partners in this monstrously inept exercise in empty-headed entertainment include Gene Kelly (approaching seventy but with his eyes and smile still twinkling merrily), the Electric Light Orchestra (providing an equally twinkling soundtrack) and a great many happy people on roller-skates. It's certainly hilarious watching them drift around for 90-odd minutes amidst the most threadbare plot and shoddy visual effects. But the poverty of the film's imagination ultimately proves sobering. Is this really what the Hollywood musical has been reduced to—piles of cheap glitter and songs so banal that they hardly enter one's ear let alone come out of the other? Can we now only conceive of Coleridge's "stately pleasure-dome" as a thoroughly vulgar palace of disco frenzy, or the characters of Greek mythology as glossy figures from fashion-plates and record-covers? All in all, *Xanadu* doesn't augur well for the future of civilisation.

Chiquiango, meanwhile, at the ICA, doesn't augur particularly well for the future of civilisation in Bolivia, with its sharp picture of social disunity, extremes of wealth and poverty and a general touch of disaffection. Coming from *Xanadu* to this Bolivian film of 1977 directed by Antonio Egguino, one almost keels over with the culture-shock. For there is no gutter here, no daughter of Zeus to make dreams come true. Instead, the camera is steadily trained, in a neo-realist fashion, on the ignominies and ironies of living in the country's capital city La Paz, built on a mountain side (and the higher the altitude the poorer the people). Four slightly overlapping stories are related, with a neatness that never obscures Egguino's passionate regard for the lives and problems of his four characters—ranging from an urchin who scrapes by doing odd jobs to a well-beeled university student with a wavering commitment to radical politics. This is Bolivia's most popular film, outdistancing even *Jans* at the box-office. Unfortunately the print available here looks as though it's seen the inside of more projectors than was good for it; the film itself, however, can be firmly recommended.



Tatiana Aponta in 'Chiquiango'

Festival Hall

London Mozart Players

by DAVID MURRAY

Mark Elder has just become Principal Guest Conductor of the Players, and his gift for balancing orchestral colours was attractively in evidence in all Wednesday's programme. The dark sonorities of Mozart's Masonic Funeral Music were plangent, even at a more pressing tempo than the piece seems to invite, and in the "Crucifixion" Symphony he compensated for tame strings by beautifully transparent handling of the winds. Something of the dangerous energy of the music was elided, but there was enough smooth strength, and the chromatic turns of the Andante were most delicately shaped.

Where the musical weight was carried by the strings, as in most of C. P. E. Bach's fine, laconically witty Symphony in F—welcome imagination in the programming, the results were inclined to be dull. There is little bite in the Players' violins. One looked forward with special interest to the appearance of Iona Brown, the sprightly leader of the Academy of St. Martin-in-the-Fields, as soloist in the Beethoven Violin

Concerto: would she encourage her cohorts to show some spirit? Decidedly not. She and Mr. Elder settled upon, or sank into, such soporific tempi for the first two movements—especially the Larghetto, which passed here for an interminable Largo—that a decently sturdy Rondo came far too late. (And there, Miss Brown sacrificed the character of the main tune by sliding hastily across the bar-line between its initial upbeat and downbeat every time). The majestic serenity of the opening Allegro at last became oppressive, despite the lyrical sweetness of Miss Brown's playing and a radiant tutti in mid-movement, through the obstinate refusal of the orchestra to allow any hint of dramatic excitement in developing passages. The solo violin suggested a flight of jinks at the outset of the Larghetto—Miss Brown revels in the aerial regions above the staff—but as phrase succeeded longdrawn, undershaped phrase, the shapes of the music melted like wax. The Concerto really has a much stronger backbone than that.

Wigmore Hall

Adeney, Wallfisch, Johns

Martinu is one of that group of 20th-century composers with neoclassical tendencies—Rindskopf is another—whose music will be very long. At present we hear only a small fraction of his huge output, and that chiefly because he provided works for less usual instrumental combinations. It is some measure of the paucity of the repertoire for the trio of flute, cello and piano that Martinu's trio of 1943 was the main item of interest in the recital given on Wednesday night in the Wigmore Hall by Richard Adeney, Raphael Wallfisch and David Johns.

There is little to offend delicate sensibilities in Martinu's trio. It is ungloriously well written for the ensemble; the finale is prefaced by a beautiful, languorous flute solo (sufficing Mr. Adeney's elegant style very well) before culminating in inevitable motoric Allegretto, and the first two movements continually light upon engaging snatches of

melody. The whole work is tacked together out of such moments, but at least it does not pretend any greater profundity. The detached preciseness of the ensemble there also tended to the trio by Haydn (a tendency better known as a conventional piano trio in D major) and Weber. As considerable makeweights, Mr. Wallfisch played Schumann's *Stücke* in *Volkslied*, with rather wry tone and lack of imagination when Schumann's fantasy takes flight, while Mr. Adeney played C. P. E. Bach's A minor sonata for solo flute and Prokofiev's D major Sonata. The Prokofiev performance was markedly inferior to the evening's other offerings, so much so that one wondered whether adequate time had been left to rehearse it, and how long it was since Mr. Adeney had last played the work.

ANDREW CLEMENTS

Lloyd Webber musical inspired by Eliot's poems

Composer Andrew Lloyd Webber's next project, due to open in London next April, will be a musical, *Cats*, inspired by poems of T. S. Eliot.

The production, in contrast to Lloyd Webber's other works such as *Evita* and *Jesus Christ*

Superstar, will emphasise dancing. Choreography will be by Gillian Lynne and the director will be Trevor Nunn of the Royal Shakespeare Company. Lyric writer Tim Rice, the other half of *Evita* and *JCS*, will not be collaborating in the production.

APPOINTMENTS

MANAGING DIRECTOR

Vokes Limited of Guildford (a subsidiary of the DCE Vokes Group) wishes to appoint a successor to the present Managing Director who is due to retire shortly.

Vokes is the leading U.K. manufacturer of filtration equipment for large engines and heavy machinery, and also makes expansion joints for pipelines.

The main task is to continue the company's present success by expanding overseas business, introducing new products and maximizing the utilisation of present resources. The factory and offices have ample scope for future development.

The ideal candidate aged 40-45 would be a qualified mechanical engineer with a record of career progression in engineering companies and proven success in general management.

Salary and other benefits will reflect the importance and potential of the position and the need to attract candidates of high calibre.

Please write giving a brief curriculum vitae to A. Williams, Chairman, Vokes Limited, Henley Park, Guildford, Surrey. Applications will of course be treated in strictest confidence.

VOKES

A member of the Thomas Tilling Group

COMPANY NOTICES

NORSKE HYDRO-ELEKTRISK KVALETSFABRIKSELSKAB

U.S. \$20,000,000 6 1/2% 15 YEAR

EXTERNAL LOAN OF 1981

Norsk Hydro Bank Limited hereby gives notice that in accordance with the terms of the above-mentioned loan, the Redemption for the 15th October, 1980, has been effected by the purchase of U.S. \$1,120,000 nominal bonds.

The interest amount payable on 15th October 1980 is U.S. \$1,120,000.

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The interest amount payable on 15th October 1982 is U.S. \$1,120,000.

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The interest amount payable on 15th October 1984 is U.S. \$1,120,000.

The interest amount payable on 15th October 1985 is U.S. \$1,120,000.

The interest amount payable on 15th October 1986 is U.S. \$1,120,000.

The interest amount payable on 15th October 1987 is U.S. \$1,120,000.

The interest amount payable on 15th October 1988 is U.S. \$1,120,000.

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The interest amount payable on 15th October 1992 is U.S. \$1,120,000.

The interest amount payable on 15th October 1993 is U.S. \$1,120,000.

The interest amount payable on 15th October 1994 is U.S. \$1,120,000.

The interest amount payable on 15th October 1995 is U.S. \$1,120,000.

SIAM COMMERCIAL (CAMBODIA) LIMITED

U.S. \$20,000,000 GUARANTEED

FLOATING RATE NOTES

DU 1981

Guaranteed by THE SIAM INTERNATIONAL BANK LIMITED.

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THE COMMERCIAL BANK OF THE NEAR EAST LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above-named Company will be held at 107-113, Leadenhall Street, London, E.C.3, on Tuesday, 23rd September, 1980, at noon for the purpose of considering and, if thought fit, passing the following Resolution:

That the authorised share capital of the Company be increased from £1,000,000 to £2,000,000 by the creation of an additional 400,000 shares of 25 pence each.

By Order of the Board, Dated 18th September 1980.

107-113 Leadenhall Street, London, E.C.3, E.C.3, E.C.3.

1. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote on a poll vote instead of him. A proxy need not be a member of the Company.

2. Holders of Shares Warrants to Bearers who desire to attend and vote at the Meeting will receive a certificate of admission on depositing the Warrants at the Company's registered office not later than 10.00 a.m. on Tuesday, 23rd September 1980.

The transfer, register and holders of members of the Company will be closed from Tuesday, 23rd September 1980, to Tuesday, 24th September 1980, both days inclusive.

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1. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote on a poll vote instead of him. A proxy need not be a member of the Company.

2. Holders of Shares Warrants to Bearers who desire to attend and vote at the Meeting will receive a certificate of admission on depositing the Warrants at the Company's registered office not later than 10.00 a.m. on Tuesday, 23rd September 1980.

The transfer, register and holders of members of the Company will be closed from Tuesday, 23rd September 1980, to Tuesday, 24th September 1980, both days inclusive.

COMPANY NOTICE

NEW CENTRAL WITHWATERLAND AZEAS LIMITED

(Incorporated in the Republic of South Africa)

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the forty-seventh annual general meeting of members of New Central Withwaterland Azeas Limited will be held at 44, Main Street, Johannesburg on Thursday, October 23, 1980 at 1.00 p.m. for the following business:

1. To receive and consider the annual financial statements of the company for the year ended August 31, 1980.

2. To elect directors in accordance with the provisions of the company's articles of association.

The transfer, register and holders of members of the Company will be closed from Tuesday, 23rd September 1980, to Tuesday, 24th September 1980, both days inclusive.

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PUBLIC NOTICES

OFFICIAL NOTICE

The loss has been reported to us of the following Warrants:

Numbers 250024 158 bags Nigerian Cocobean. Gross weight 19,008 kilos.

Numbers 250059 5 bags Nigerian Cocobean. Gross weight 301 kilos.

Numbers 250026 158 bags Nigerian Cocobean. Gross weight 19,008 kilos.

Numbers 250060 5 bags Nigerian Cocobean. Gross weight 301 kilos.

Anyone claiming to be entitled to these goods is invited to enter protest by means of a declaration, but particulars of their debts or claims, and the names and addresses of their Solicitors (if any) to the undersigned.

LAURENCE JACK GERRARD, Chartered Accountant, 14 New Burlington Street, London W1X 2SU.

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 10th day of October, 1980, to send in and prove their claims or debts, and the names and addresses of their Solicitors (if any) to the undersigned.

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FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3DF

Telegrams: Finantime, London FSA. Tel: 8954871

Telephone: 01-245 3000

Friday September 19 1980

Tighter grip on councils

SOME OF the wilder accusations which have been flying thick and fast between the local authorities and the Government have been belied by the facts contained in yesterday's statement on local government finance from Mr. Michael Heseltine, the Environment Secretary. Not all the local authorities are run by irresponsible and self-serving profiteers, who hold in contempt the Government's efforts to make economies in the public sector, Mr. Heseltine, for his part, has not behaved like the tyrannical hunchman represented in some of the councils' more intemperate propaganda.

Mr. Heseltine's call for a tightening of budgets has elicited a reasonably helpful response from most councils. Starting from the 5.6 per cent level of overspending implied in the original budgets which Mr. Heseltine received in April, £390m has been trimmed, bringing the revised budgets to within 2.6 per cent of the ceiling contained in the Government's public expenditure White Paper. This degree of overspending, amounting in cash terms to £350m, would still be unacceptable, but there are grounds for hoping that the authorities will, as usual, spend somewhat less than the maximum levels allowed for in their budgets. Over the past five years, councils have typically ended up 3 to 4 per cent below budget.

Manpower

The fact that local authorities have generally been acting somewhat less irresponsibly than the Government has at times suggested is also indicated by the manpower figures published by Mr. Heseltine. These showed a cut of 29,000 staff in the year to June. While this is only 1.4 per cent of the councils' employees, it marks a reversal of the unhealthy upward trend which had become re-established after the Labour Government's big cuts in 1976. It also compares quite favourably with central government's manpower performance. Provided that the local authorities can maintain the impetus of staff reduction, the signs so far suggest that they could end up with a greater improvement in efficiency than the Government has been able to achieve among its own civil servants.

However, in spite of the efforts which have undoubtedly been made by some authorities to live within the means prescribed for them in the Govern-

ment's plan, there is still far more to be achieved.

As Mr. Heseltine pointed out, the council's recent record of underspending their budgets may not be a good guide to this year's outcome, simply because they have never before been forced to budget as carefully as they have this year. Further, within the aggregate figures, there is a great deal of disparity between those authorities which have attempted to economise and those which have ignored the Government's requests. It is, therefore, understandable that Mr. Heseltine wished to impose penalties on the most recalcitrant authorities and that he has decided to keep back some of the money promised in the Rate Support Grant settlement until the level of actual spending can be observed at the end of the financial year.

Unfortunately, the techniques available to Mr. Heseltine to tackle these problems are imperfect. His method of selecting the 14 councils which are to be specifically penalised is arbitrary. It will no doubt raise the bogey of central government dictatorship over-riding the preferences of local electors.

The general measure to contain spending — the withholding of £200m of Rate Support Grant — can be criticised as too indiscriminate and, quite possibly, ineffective. If the council as a whole overspend, then the RSG will be reduced for all of them, irrespective of where the blame actually lies. Furthermore, if the Government is driven to acting in this way it will be because it has failed to prevent overspending. The effect will simply have been to transfer some of the burden of local spending from the Government's own borrowing requirement to that of the local authorities and eventually on to ratepayers.

Chums

Given the clumsiness of the present system of financing local government and the urgency of the need to control public spending, Mr. Heseltine seems to have struck a reasonable balance between coercion and persuasion and between the demands of local democracy and of macroeconomic control. The introduction next year of a new method of calculating the Rate Support Grant will make his task somewhat easier. But in the long run a more fundamental overhaul of local government financing is still needed.

No grounds for divorce

E. M. FORSTER once wrote that the definition of a perfect friendship was one where each of the two partners believed that he or she was slightly superior to the other. It is a recipe that ought to apply to Britain and France, yet sadly it does not.

The summer of 1980 in particular was not an especially good one in terms of Anglo-French relations. Whether the subject was apples, sheep-meat, or the striking French fishermen, the two countries were never very far from each other's throats, at last metaphorically speaking. What is more, it is hard to escape the impression that it is the way that both sides like it. Britain and France are so close and so different, that they play up the disagreements while tending to overlook what they have in common. It is a healthy enough rivalry in itself, provided that it does not get out of hand.

Mutual

The meeting between Mrs. Thatcher and President Giscard d'Estaing in Paris today, to be followed by an Anglo-French get-together in Bordeaux which President Giscard will not attend, is not exactly the first of its kind. Mr. Heath, when he was Prime Minister, sought unsuccessfully to put Anglo-French relations on a better footing in his talks with the late President Pompidou. Mr. Callaghan did it again in his meeting with President Giscard in London in 1976. Nor was the good will by any means only on the British side. There appeared to be a mutual determination to forget about old antagonisms and to work together. Yet it did not last.

One of the lessons to be learned is not only that efforts to establish a new basis of trust must begin at the top; they must also be sustained. The level at which Anglo-French relations have so frequently come under strain in the past is that of foreign ministries. The Quai d'Orsay distrusts the Foreign Office and the Foreign Office distrusts the Quai almost from the top downwards. There are some understandable, though mostly historical, reasons: old colonial rivalries, for example, and the

fact that France is more naturally a European power than Britain, with an ability to have an influence on continental affairs that is denied to the once Perfidious Albion. Yet if the heads of state or government can agree that these are the quarrels of yesterday, it might also be possible to pass on the message to those who serve them.

It is perhaps painful for the British, but none the less true, that on areas of disagreement the French have often been right. They were right about foreseeing the energy crisis and right about the need to take account of the Palestinians in the Middle East at a time when practically everyone else was dismissing the PLO as a purely terrorist organisation. On the other hand, the French were wrong about an independent Europe. It is the British (and German) view of the need to give at least equal weight to maintaining ties across the Atlantic that has prevailed and which is now accepted by Mr. Giscard d'Estaing, the most Atlanticist of French Presidents. Both sides were wrong in their initial enthusiasm for Concorde, a fact which the French might now have the objectivity to admit.

Formidable

There is no shortage of shared experiences and they all point in the same direction. Even the French fisheries dispute which simultaneously irritated and delighted British tourists illustrated the need for a common fisheries policy. The two countries do after all live in the same world, the same Community and the French are outside the military organisation. Excessive Anglo-French rivalries serve neither Britain nor France; nor do they serve the wider bodies to which, in the common interest, they have chosen to belong. Since there can be no grounds for divorce, it is better to make the best of the marriage. The British and French together could be a formidable combination. For Mrs. Thatcher and President Giscard to succeed today, the message needs to go all the way down the line.

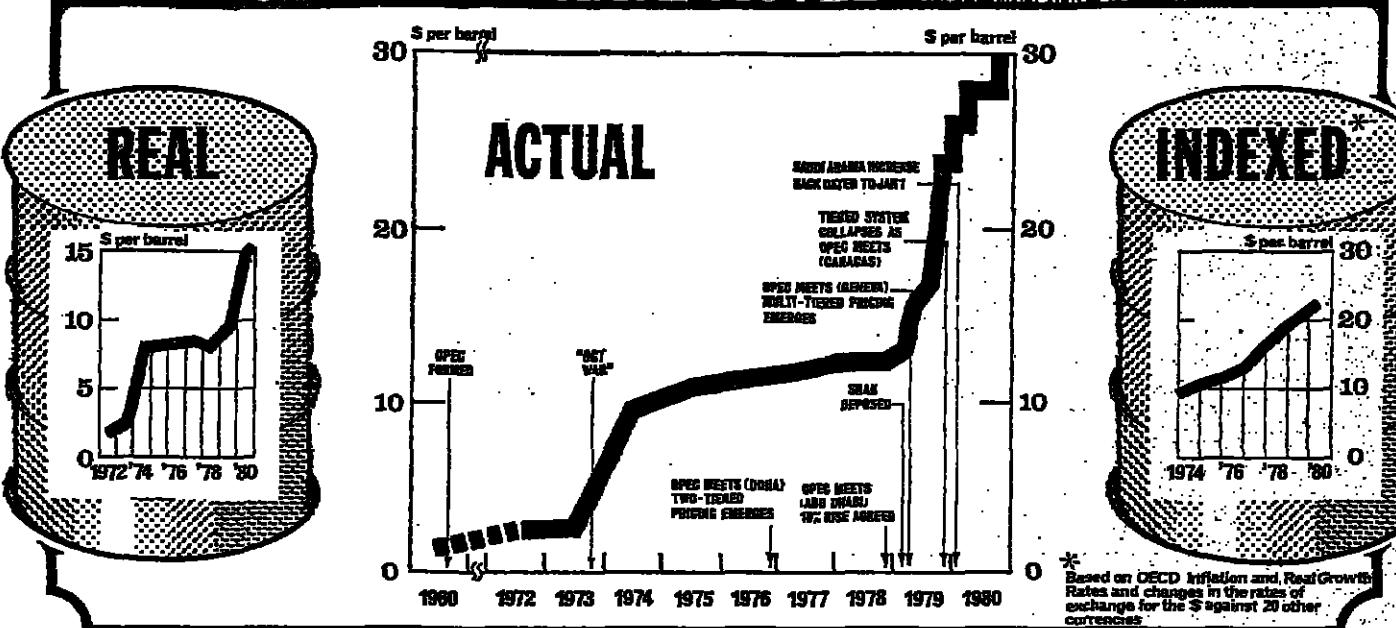
Saudi Arabia puts the squeeze on Iran

OPEC IN VIENNA

Richard Johns reports on OPEC's failure to agree on a new pricing formula and (below) Ray Dafter looks at the oil industry's reaction.

HOW OIL PRICES HAVE MOVED

SAUDI ARABIAN LIGHT CRUDE



Saudi strategy is now clearly aimed at putting an intolerable financial squeeze on Iran which by the end of the year could find its foreign exchange reserves—or those not frozen by the U.S.—at an extremely low level.

The key question now is whether the other members of OPEC will be prepared to hammer out an agreement on a price supply formula without Iran.

Compromise with Algeria and Libya the other two members who objected to the OPEC formula, seems possible at the special meeting of oil ministers set for October 14, probably

in Geneva or London. Up to now, unanimity has been the rule in OPEC, but the statutes make no reference to summit meetings, so it is possible that they could all agree effectively to ignore Iran at the summit and formally approve the strategy.

In the meantime, this week's meeting has demonstrated that the Saudis have lost none of their talent for surprise. Just before midnight on Wednesday it had appeared that three days of talks had ended in disarray. Then OPEC announced the Saudi \$2 a barrel price increase and said that other members would freeze their rates till the

end of the year.

This will be enough to keep the idea of some kind of pricing formula alive as the rest of the organisation seeks new ways of reaching its most essential objective—agreement on automatic price increases and a commitment to balance supply and demand.

The recommendations, as they still stand, are that prices should be regularly increased to take account of.

● Inflation, as reflected in the cost of goods and services exported by members of the Organisation for Economic Co-operation and Development

● Fluctuations in the value of the dollar measured by the movement in a basket of currencies, including the U.S. unit, which is likely to remain indefinitely the one for accounting for oil prices, as well as the main means of payment.

● The average growth rate of the OECD—to give producers revenue gains in real terms that the industrialised countries can absorb. Higher costs of oil imports by developing countries would be defrayed by OPEC aid.

Iran, Algeria and Libya continued to press in Vienna for the inflation component to be based on OPEC members' domestic rates and—much more

Oil industry continues to hold its breath

IT may seem that oil companies have been holding their breath this week as ministers of the main exporting countries tried to restore order to the crude oil pricing system. Certainly they have remained

quiet. Having been pushed to the sidelines of price-setting deliberations, the companies are now concerned not to upset the different factions within the Organisation of Petroleum Exporting Countries, which could trigger further disruptions in the oil supply pattern.

That said, the industry has been keenly interested in Vienna. A Saudi Arabian price increase of \$2, to \$30 a barrel, was always on the cards. Some companies—those without access to Saudi crude—are relieved that the kingdom has raised its tariffs closer to the \$32 a barrel reference level set by OPEC at its summer meeting in Algiers.

The industry acknowledges that the main recipients of Saudi crude—Exxon, Texaco, Standard Oil of California (Chevron) and Mobil—could have pressed home their price

ing advantage more forcibly and been more aggressive in the products markets.

The fact that they have shown this apparent restraint may have much to do with politics; they may have thought it prudent not to increase market shares significantly because of Saudi Arabia's policy of pricing moderation.

So, instead, they have joined the rest of the industry in building up stocks of crude oil. With world oil production now running at about 2.5m barrels a day in excess of depressed demand, stocks have risen to record levels. Shell recently estimated that non-communist world stocks now amounted to 50m barrels or roughly 100 days' supply. This compares with a midsummer average in the main developed countries over the 1976-77 period of about 80 days' supply.

As a result, there should be no oil shortages this winter—and for much longer if Saudi Arabia continues to produce at 9.5m barrels a day. It costs the industry about \$12.5bn a year to store 50m barrels, but the total storage bill comes to a notional \$30bn annually if the interest charges (say 15 per

cent) on the price of the stored oil (an average of \$35 a barrel) are taken into consideration.

It is a sobering thought that during the past decade there have been just two periods, about 18 months in total, when there was a real sellers' market and oil was in short supply. Apart from 1973-74 and 1975-76, oil has been in surplus. And yet, during the past decade, the price of Saudi's Arab Light crude has risen from \$1.75 to \$30 a barrel, basically in two big steps.

The result has been something of a nightmare for oil companies. They have had to operate in a marketplace turned upside down by the worldwide inflation and lowered growth that followed the 1973-74 and 1976-77 crises. They have had to contend with sudden, quantum leaps in the demands on their working capital. And they have had the embarrassment of "stock profits" arising from the escalating price of handling oil.

But they are also uncomfortably aware that during the mid-1970s public and corporate perception of a permanent energy problem was dulled,

and that, with crude in plentiful supply prices began to fall in real terms. The companies started to postpone some of the big non-oil energy projects that had seemed essential a couple of years earlier.

For all these reasons the industry in general hoped that OPEC could find a unified pricing formula to ease some of the tensions among member countries and lay the foundation of a more stable oil market. Indexation—if based on a reasonable set of assumptions—could be a solution.

For companies investing in high cost energy projects, one of the major advantages of an indexed pricing structure is that it would provide a further measure of confidence.

Some alternative energy sources, such as shale oil, tar sands and gas from coal, are already becoming commercially viable as a result of recent oil price rises. The American Petroleum Institute estimated in a report last month that coal-based gas could be manufactured and sold for the equivalent of between \$30 and \$36 a barrel. The cost of shale oil and liquids from coal was put at \$30-\$50 a barrel.

Not that there is any guarantee that there will be a gradual, orderly rise in oil prices. There must always remain the threat of a Middle East disturbance causing a further panic and consequent big jump in prices. Dr. Ulf Lantzke, executive director of the International Energy Agency, said last week there was a danger of consumers being hit twice: by index-based rises at times of slack demand and by market-led increases when supplies were short.

But if indexation is to work, OPEC members must be prepared to trim their output to keep supply in line with demand. If the combined pricing/production formula is effective, OPEC should be able to counteract any supply disruption by one of its members.

The remaining runs thus: Indexed prices would contribute to continued worldwide inflation and act as a brake on economic growth. They would further stimulate energy conservation measures and investment in non-OPEC oil production.

All these factors could help the world to restrict its demand for OPEC oil to below 30m barrels a day, perhaps to nearer the 28.4 b/d average output for

serious as a guarantee for self-perpetuating increases — their own very high rates of growth in their Khash-educated manner, the Algerians ruthlessly pursued their goals, as concerned as anyone not to lose face. But once the time for bargaining was over, as usual, they realistically offered a compromise.

On Wednesday afternoon they presented an amendment to the report's indexation recommendations. Libya, it seems, was prepared to go along with it. Algeria proposed, according to circumstances, including market conditions, a margin of 5 per cent above and below the base reference price set by the report's formula, as outlined in the final draft.

It demanded in return a production programme to control overall OPEC output as a means of maintaining prices at the desired level. Traditionally, Saudi Arabia has been adamant in its opposition to any idea of supra-national interference with its sovereign right to set its own rates of output.

Officially, Saudi Arabia has not changed its policy. It is believed, however, that the kingdom would accept "rationing" in return for a binding commitment and an adherence to the more moderate system of indexation recommended in the report. Saudi Arabia may have seen the Algerian proposal for a 5 per cent marginal swing as a major loophole that could make agreement worth no more than a string of beads.

But some compromise would have been possible and by continuing to pump oil at 9.5m b/d Saudi Arabia is now putting pressure on the upper tier prices charged by Algeria and Libya. It is thereby laying credible foundations for price unification at the end of this year, when Saudi Arabia, in return for adoption of the index, would raise its own price again.

MEN AND MATTERS

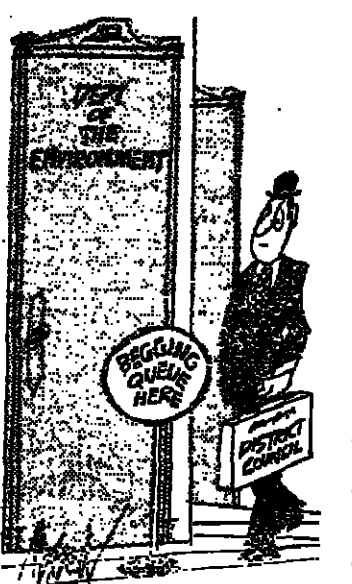
Lessons in democracy

Big Jack Spriggs, the shop steward who took over the boardroom of the pioneer workers' co-operative, Kirby Manufacturing and Engineering, joins the long Merseyside dole queue today.

He became the country's best-known worker-director when Tony Benn, amid political uproar, backed the KME workers with nearly £4m of Government money in 1974. It was largely Spriggs' volubility and persistence, alternately infuriating and impressing the politicians and civil servants, that kept the co-op going through repeated crises until last year.

Reflecting ruefully on the failure in the co-op factory last night, Spriggs told me: "I have been quite an experience; I think I have learned a lot from it."

"We tried to do too much too quickly—tried to develop industrial democracy too fast while we were trying to turn the place into a viable business. There were some hard decisions to take, and I tried to soften them. There should have been more self-discipline."



Spriggs is adamant that KME's collapse does not mean the end of workers' co-operatives. "There'll be more," he predicated confidently, "and they'll not make our mistakes."

The last man to leave the sinking ship in the Liverpool tradition, he has not yet given much thought about how he will keep himself afloat. He's 45, with a family, and started in life as a welder. "But a lot of skilled welders round here are already out of work, or they've got jobs as hospital porters and bus drivers."

Ideally, he would like to work in industrial relations—"but relations with industry are a bit distant up here."

Needed

Queen Victoria would not have been amused could she have heard the way they were carrying on about her husband's best-known contribution to British culture in London yesterday. The present-day output of Christmas trees, John Gent growled, is "rubbish."

In the distinctly un festive surroundings of the Royal Agricultural Society, Gent was retelling a few uncomfortable home truths to the couple of dozen forest folk who turned up for the launch of the British Christmas Tree Growers' Association, a branch of the Timber Growers' Organisation.

Blaming the drought of 1976 for the tatty state of recent cuttings, he said there had been a shortage for the past two years and "a lot of rubbish has been sold." Although prices had gone up, and the home industry was turning over £7m a year on sales of 2.5m trees, Gent warned darkly of a glut looming as the plantations recover.

falling to pieces all over the carpet and clogging up the clockwork in my train set.

Bust gone

Those two famed fixtures at Associated Communications Corporation, Lord Grade and his fat cigar, were in jaunty form at the annual meeting yesterday. Cheerfully fielding questions and conducting the proceedings with his hand-rolled baton, he found himself uncharacteristically stumped by a query from one shareholder concerned about the apparent disappearance of a third fixture from a small corner of ACC's TV, film and entertainment empire.

What, he was asked, had become of the bust of romantic Welsh songwriter Ivor Novello, which used to grace the Drury Lane Theatre?

Briefly at a loss, the 73-year-old chairman, who has little free time for relaxing at the theatre, seemed concerned at the mystery. "Maybe I've got it at home," he volunteered. "I'll have to check because all I know is a room with three telephones—and my bedroom of course."

Collector Katz

"Stanley Katz," says Sir Humphrey Wakefield, "appreciates art. And he does it at 100 miles an hour." Head of the Leber Katz advertising agency, this high-speed connoisseur takes great delight in surrounding himself with objects fine and costly. And to the profit of Britain's craftsmen, he finds much to appreciate in the UK.

Guided by expert Wakefield, Katz has spent the last seven years preserving and restoring the home of the Edison family in New Jersey. Crumbling after 30 years' neglect when he found it, it is now home for him, a private museum devoted to Thomas Edison, and a grand collection of paintings and furniture—most of which has been restored in Britain.

The latest project ordered by Katz is the re-binding of the family library of 4,000 books. And as one would expect of a man who has built himself a castle, plays with finely engineered steam engines and spoils himself with a "baby" Rolls-Royce, he has insisted that the work should be of the finest.

The latest batch of 30 volumes has just been "gilded in the purple" at the four-man workshop of BookEnds Bindery in North London, which managing director Tim Siney may be pleased to hear, can now expect to receive another 1,000 for the morocco and gold treatment.

Wakefield, happy to oblige Katz's Anglophile tendencies, is also hoping to have his uncle, Lord Wakefield, build another steam engine for this avid collector, who, I ventured, seems to have something in common with the squirrel. "Yes," says Wakefield, "he is rather like a squirrel with expensive tastes. But wherever he finds his nuts, he likes to have them polished over here."

A penny for it

Those amenable people at the Passport Office, who willingly accepted CND leader Bruce Kent's job description as "secretary," gave even more latitude to Leslie Reich, north-west manager at Chesham Amalgamations. Reich tells me he was so fed up with being delayed at airports while explaining his passport designation as "merger broker," that when he renewed his documents he put himself down as a "thinker."

Since then, he tells me, the only hold-up he has experienced was at an Italian airport. "A thinker, sir?" puzzled the man with the rubber stamp. "Tell me a thought."

"Well," breezed Reich. "I'm a professional, so I shall have to charge you for it."

"Next, please."

Observer

There's more to St Quintin than meets the eye

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St Quintin CHARTERED SURVEYORS Vintners House, Queen Street Place, London EC4A 3DF. Also Leeds and Brussels. Telephone 01-236 4040

Disproportional representation

WEST GERMANS are beginning to speak of Chancellor Helmut Schmidt as they once spoke of Konrad Adenauer. Not only is he a conservative (albeit in Social Democrat clothing) capable of defending his record with the slogan "no experiments," he also looks as if he could go on for ever.

Certainly there appears to be no threat to Herr Schmidt from the federal elections due on October 5, nor to anyone else in the governing coalition. There is a debate among intellectuals about whether it is a good or a bad thing that the campaign is so dull, one's own view being that it is entirely good. But do not expect much change. The result is said to be a foregone conclusion with the only doubt concerning the performance of Herr Schmidt's small coalition partner, the Free Democratic Party (FDP).

Those who advocate the introduction of a system of proportional representation in Britain along the lines of the German model ought to be aware of how the German system works.

In practice, it gives the FDP quite disproportionate power. There has hardly been a time since the first federal elections in 1949 when the FDP has been out of office. In the 1950s and 1960s the Free Democrats tended to coalesce with the conservative Christian Democrats (CDU). There was a deviation in late 1966 when the Free Democrats walked out of the government only to find themselves replaced by the Social Democrats (SPD) in a grand coalition of the two big parties.

One of the aims of the grand coalition was to move to a two party system like the British and end the dependence on the FDP for good. The attempt petered out. In 1969 the FDP formed a governing coalition with the Social Democrats. This

has been maintained to the present day and looks set to continue well into the 1980s.

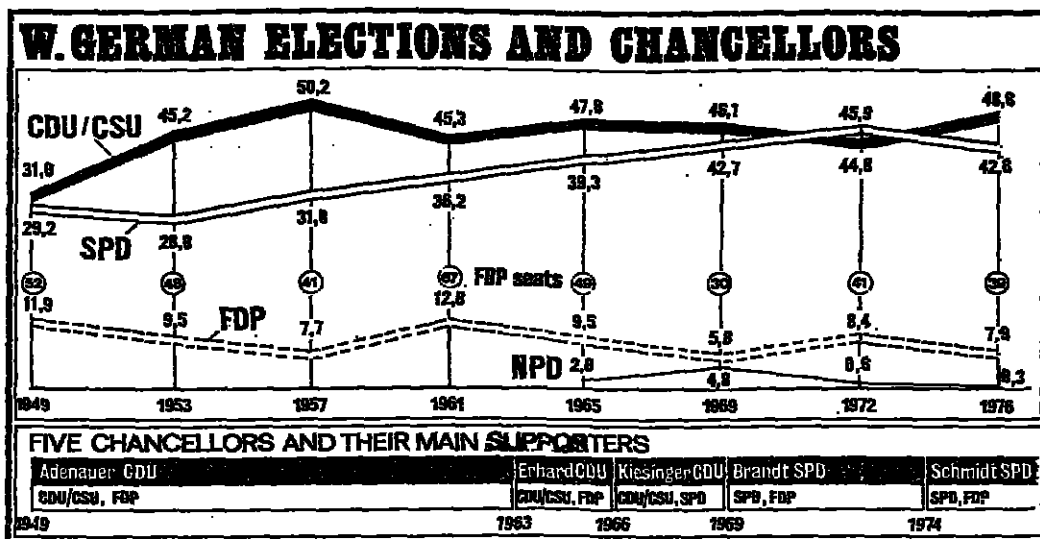
At this stage it is necessary to explain the system in more detail. German electors have two votes. The first is for a candidate who is elected on the principle of first past the post and then represents a constituency as in Britain. Only half of the 496 members of the Bundestag (Parliament) are elected in this way. The second vote is for a list of candidates compiled by the party regional organisations.

It is here that the element of proportional representation comes in. It is the percentage of list or second votes received which determines how many of the remaining 248 seats in the Bundestag go to each of the parties. No party is allowed to be represented via the list system unless it wins at least 5 per cent of these second votes or at least three constituency seats. The method of distributing the list seats, known as the *Hondt* system, strongly favours smaller parties provided that they survive the 5 per cent hurdle.

In the hope that all that is clear, it is worth going on to

The method favours small parties

make the following observations. In the first place, the Free Democrats remain in the Bundestag entirely because of the list system. As the accompanying chart shows, their vote in federal elections has never been higher than 12.8 per cent and in 1969 was as low as 5.8 per cent. Yet the number of seats awarded to the FDP reached a peak of 87 in 1961 and fell only to 30 in 1969.



By contrast, the British Liberal Party polled 19.3 per cent of all the votes cast in the General Election of February, 1974, yet won only 14 seats and that in a Parliament of 635 members, considerably larger than the German.

In the second place, the Free Democrats not only seem to have a disproportionate number of seats; they also seem to succeed in taking disproportionate advantage of their powers. In the present coalition, for example, they occupy four key portfolios at Cabinet level: foreign affairs, economics, agriculture and the Ministry of the Interior.

Third, it should be noted that voters may split their ticket. A first vote for the Free Democrats is wasted, since not even the FDP leadership expects to win constituency seats. In practice, the party relies on sufficient Christian and Social Democrat supporters giving

their second vote to the FDP because they do not wish to see either of the big parties (even their own) win an absolute majority. There are, of course, FDP voters pure and simple, but it is highly doubtful whether there are enough of them to keep the party in the Bundestag.

Readers will judge for themselves whether the German model could, or should, be transplanted to Britain. It is by no means the only system of proportional representation available. My own immediate purpose is simply to describe.

It will be admitted on the basis of what has been said so far that the system is not strictly proportional; it gives the FDP far more power than its electoral support would warrant. The system has also served West Germany well more by accident than by design. The most interesting year was in many ways 1969.

As can again be seen from the chart, the FDP came as close as it has ever done in a Federal election to failing the 5 per cent test while the extreme Right-wing National Democratic Party came quite close to surviving it.

Had the results been only very slightly different, the extreme Right might have entered the Bundestag at the same time as the Liberals went out. Alternatively, both the FDP and the NPD might have failed to be represented. Either way there would almost certainly have been no Chancellor Brandt.

Not many months ago, there was a period when it looked as if the election of 1980 could be just as tantalising. First of all, there was the rise of the Greens or the Ecology Party. The Greens won just over 5 per cent of the vote in state elections in Bremen and Baden-Württemberg and thus succeeded in entering the regional

parliaments. That raised the prospect of their doing sufficiently well in the federal elections to enter the Bundestag.

Then in May this year the Free Democrats failed to be returned to the regional Parliament in North Rhine-Westphalia, West Germany's most populous state and often regarded as a political barometer for the country as a whole. Admittedly the failure was by a very small margin — some 1,700 votes — but people did wonder for a while whether the Free Democrats might also go out in Bonn.

Since then the Greens have faded and the Free Democrats have quadrupled their efforts. It is all back to normal even before the elections have taken place. The FDP is seeking to take second votes from CDU supporters who do not like the idea of their candidate for Chancellor being the right-wing Bavarian, Herr Franz Josef Strauss. The Free Democrats are also counting on there being a distinction between those who want Herr Schmidt to continue as Chancellor and those (possibly including Herr Schmidt himself) who do not wish to see him saddled with an absolute SPD majority.

The political talk has thus turned to what happens once the elections are out of the way. Herr Hans-Dietrich Genscher, the FDP leader, Vice-Chancellor and Foreign Minister, is insisting not only on his party retaining the same portfolios, but the same Ministers. Some of his claims may sound a bit rhetorical. For instance, he describes Graf Lambsdorff, the Economics Minister, as the "Ludwig Erhard of the 1980s," and the relatively unknown Herr Gerhart Baum, the Minister of the Interior, as the "liberal conscience of the Government." Both descriptions

may be pretentious, but one should not underestimate Free Democrat power.

Most interesting from the European point of view is Herr Genscher's insistence that Herr Josef Ertl continue as Minister of Agriculture and is ready to do so. Herr Ertl has been at his post since the present coalition was formed in 1969 and has not been exactly an advocate of the reform of the Common Agricultural Policy. But unless Chancellor Schmidt asserts himself, the Ertl-Bavarian influence could still be in play.

The changes in SPD portfolios look like being minimal. There is speculation about splitting the Ministry of Transport, Posts and Telecommunications, but we can let that pass. The man who could, and perhaps should, be at the

Herr Schmidt's successor

centre of any reshuffle is Herr Hans Apel, once and sometimes still thought of as Herr Schmidt's designated successor. Herr Apel used to be Minister of Finance, but was persuaded by the Chancellor to move to defence on the grounds that he needed all-round experience of the things that matter. Herr Schmidt occupied both portfolios before becoming leader. Both men come from Hamburg. It is the view of some NATO Defence Ministers and senior officials that Herr Apel is not a great success at the job; nor does he appear to be particularly interested in it. Yet he cannot go to the Foreign Ministry because it is held by the FDP. If he were bold, he

would demand agriculture and seek to push through the reform of the CAP.

A more likely change is that Herr Apel could become chairman of the parliamentary party, which is a position of some power. That would depend on Herr Herbert Wehner, the present occupant and one of the very few survivors of the original Bundestag in 1949, being ready to give way. If Herr Wehner goes and Herr Apel replaces him, the most probable successor at defence is Herr Hans-Jochen Vogel, currently Minister of Justice and whispered by insiders to be the next SPD leader, should Chancellor Schmidt ever depart.

That is the state of play at the moment. One should never forget that politics is full of surprises and it could change. The very peculiar German system is working well and is being successfully used by a conservative Chancellor. Yet there could come a time when the system could breed not stability but stagnation.

Coalitions based on the FDP tend to reflect middle class views and prejudices; they do not easily allow for a wider play of ideas. There might at times be a case for an overall majority of either Left or Right. There are two other items to record. One is that Prof. Karl Schiller, the former SPD Economics Minister and arch-guardian of the social market economy, has rejoined the party on the grounds that its economic policies are no longer aberrant. The other is that there are just the faintest murmurings in the background of the need to return to a grand coalition between the progressive forces of the SPD and of the Christian Democrats. The power of the FDP is again being retested.

Malcolm Rutherford

Letters to the Editor

Neo-Keynesian alarms

From the Deputy Director, National Institute of Economic and Social Research

Sir—Readers of the Financial Times, have not, in recent years, had much opportunity to consider neo-Keynesian views about the British economic situation. Perhaps now is the time for those concerned with the British economy to reconsider whether the neo-Keynesians might not be right after all.

The monetarist view, on which present policy is based, considers that the Government's central duty is to bring down the rate of increase in the money supply; after 18 months to two years the rate of inflation will then come down. Because of the beneficial effects of "rational expectations" and "the law of one price," the cost in lost output and higher unemployment will be small and temporary. Many monetarists argued that monetary policy should follow an automatic rule, by which interest rates were raised whenever the increase in the money supply exceeded a certain target figure. (They should, of course, now be demanding that the minimum lending rate be put up; their silence on this point is puzzling.)

The neo-Keynesian view is that "the money supply" is an elusive concept; that the attempt to control any particular number is likely to lead to erratic policies, and possibly to very high interest rates; and that the policy is essentially a rather inefficient mode of deflation. It works, in so far as it does work, by creating unemployment and so moderating money wage settlements, and in no other significant way. The disadvantage is that the cost in lost output and unemployment may be very high and may go on for a long time; and that there is no guarantee that money settlements will be permanent. When the Government eventually has to do something to stop the rise in unemployment and start to bring it down again, money wage settlements may just go up again. That is why neo-Keynesians are interested in other less costly and more permanent ways of moderating the increase in money wages.

Not so cheap nannies

From Mrs. E. M. Baxter

Sir—Being the owner of a large domestic employment agency, I read Mrs. Sheppard's letter (September 16) with some surprise. The current wage for a qualified and experienced nanny in a private household is in the region of £40 per week. Many employers pay "clear" in addition to the money handed to the girl they also pay her tax and National Insurance. This was the true wage would be in the region of £50 per week and in addition to this the girl has attendant advantages such as holidays abroad with the family, living accommodation of a high standard, no travel costs to work plus "perks" such as the use of a car or a horse to ride. To obtain the same standard of living, a girl doing office work would have to command a salary of £90-£100 per week. As we are currently placing 15-year-old school-leavers in their first jobs at £18 per week, obviously Mrs. Sheppard's daughter is very unwise at

Consider another issue. When the Government shortly after taking office made a major switch from direct to indirect taxes, it must have been advised that this change would make little difference to the price level, since the money supply controlled prices. They must have believed this to be so; otherwise they would hardly have done what they did. The neo-Keynesian view was that past price changes are very strong influences on wage demands, and on prices, and that this switch would push up the rate of inflation. Which view was right?

A third divisive issue concerns the future trend of output and employment. The Government's reaction to our present calamitous situation appears to be to attempt to reduce the public sector borrowing requirement further. They argue that this will bring down interest rates, and so the economy will right itself. The neo-Keynesian view is that, in a depression, the public sector borrowing requirement increases because revenue rises more slowly and social security payments go up faster; if then the Government tries to reduce the borrowing requirement, the attempt will be significantly self-defeating, and the further depressing effects on output and employment will be a powerful deterrent to investment. As an academic, I might hope that this experiment will be conducted; as a citizen, I hope it will not.

Many of those doubtful about current policies continue to support them because they feel it would be a great pity to go through this distress and get nothing out of it. As Macbeth said: "I am in blood stepped in so far that, should I wade no more, returning were as tedious as downy to the end; all he got was his own death."

F. T. Blackaby.

2, Dean Trench, Street, Smith Square, SW1.

that the social benefit of employment to wives and mothers should be noted.

Both professionally and as a working mother myself I am always amazed at the low esteem in which a housewife holds herself. They are constantly surprised to find that a practice and conscientious attitude towards work which they exercise daily at home is much appreciated when applied in the commercial world. Their self-respect receives a much-needed boost which is further increased often by the change in attitude towards them by their families. Their obvious value in the employment market seems to open their families' eyes to their true worth at last. Irritating everyday problems are drawn into better perspective and a happy atmosphere often results. Employment outside the home is the best prescription of all for depression in middle-aged women.

M. J. Goodchild
Goodchild's Employment Agency,
5, The Broadway, Crawley, Sussex.

Fares war in the air

From the Managing Director, Oceanair Travel

Sir—As a travel agent specialising in servicing the requirements of the business traveller, I feel I should point out the danger of a major fares war among the world's scheduled airlines.

Whilst these new low fares may benefit the holiday traveller in the short term, the inevitable result is that the airlines lose even more money than at present will be a cutback in services and schedules essential to the businessman. Whilst I do not deny that there should be a more equitable fare structure, it must be remembered that the businessman will always have to pay more if he wants the convenience and flexibility of a choice of flights; the ability to cancel, change or no-show without penalty; the ability to switch routes and carriers; the interchangeability of international air tickets; and many other benefits which are often taken for granted.

It must be remembered that there is no more similarity between a cheap charter and a scheduled flight than there is between a package tour to Majorca and a complicated business trip to the Middle East; they are totally different products and must be priced accordingly.

Colin P. Boyce,
Oceanair House,
133-137 Whitechapel High Street, E1.

Tax and marriage

From Mr. V. R. Housden

Sir—There has been much correspondence in your columns recently concerning the alleged "tax anomaly" of the Wife's Earned Income Relief. I must admit that I fail to see how a provision of real discrimination against married women can be an anomalous and unfair tax advantage. A single man, a single woman and a married man are each entitled to a personal allowance which may be offset against any income

received, not just earned income. A married woman is only entitled to relief on money she actually earns. She is not entitled to relief against any investment income she may receive.

The situation would be much improved if the married man's allowance in its present form were abolished, and everybody regardless of sex and marital status were entitled to a full personal allowance in line with the present single person's allowance which could be offset against any income.

If both partners to a marriage work, then each would have his/her own allowances as happens in present with unmarried working couples. However, if one partner elects to remain at home, the working partner should be entitled to that part of the non-working spouse's personal allowance not used up by unearned income. In most families this would mean the husband would have two full personal allowances.

To abolish the Wife's Earned Income Relief without revising and reforming the whole system of reliefs and allowances to create a more just and equitable situation, would simply be yet another example of the mockery present tax laws make of marriage.

V. R. Housden,
55, Chapel Wood,
New Ash Green, Kent.

Popular apples

From Mr. Dan Neuteboom and Mrs. Margaret Charrington

Sir—The English apple industry is doing a great deal about the presentation and marketing of our product.

Next month we are, for the first time, producing a common super brand of "Kingdom" Cox designed to provide the trade and therefore the public, with a consistent high quality product.

Meanwhile our inspectors are visiting wholesalers and retailers daily to check on the quality of the English apples on sale. Where apples are found to be too small, unripe or marked, the fact is drawn to the attention of the grower who is invited to withdraw them from the market with the alternative that his name will be listed and published as a backslider. We cannot get round every stall or every greengrocer but this sanction is proving effective.

We do not say that people should eat apples because they are English; we say that they want to eat English apples because they taste better. This they are now doing in increasing numbers. The latest market information is that English apples are in greater demand, as compared with their principal bland and tasteless competitor, than ever before.

We have been off our backsides for a long time. It would be nice if some of our critics would get off our backs and give us the support which the apple industry is going to need to survive in the next decade.

Dan Neuteboom,
Chairman, Top Fruit Committee,
National Farmers' Union,
Margaret Charrington,
Apple and Pear Development Council,
Union House,
The Pantiles,
Tunbridge Wells.

GENERAL

UK: Sir Keith Joseph, Industry Secretary, addresses conference on provision and use of information, Sheffield.

Mr. William Whitelaw, Home Secretary, speaks at conference on crime and the community, Lancaster University.

Mr. Roy Hattersley, Opposition environment spokesman, speaks at Mallock.

British Medical Association publishes report on computing in doctors' surgeries.

Sir Peter Gadsden, Lord Mayor of London, attends centenary banquet of Institute of Chartered Accountants in England and Wales, Guildhall.

Today's Events

National Association of Ambulance Officers conference and exhibition opens, Harrogate.

British Rail announces details of fare rises.

Final day of British Pharmaceutical conference, Newcastle.

Scottish Prison Officers Association conference continues, Falkirk.

National Union of Journalists meeting to discuss London weekly newspapers strike.

Overseas: Mrs. Margaret Thatcher meets President Valery Giscard d'Estaing, before fifth annual Franco-British Council

meeting, Bordeaux.

International Monetary Fund votes on admission of Palestinian Liberation Organisation as observer, Washington.

Last day of European Parliament session, Strasbourg.

COMPANY MEETINGS

Comfort Hotels International, The Rainbow Suite, 99 Knightsbridge High Street, W. 10.30.

Hogg Robinson, The Baltic Exchange, 14-30 St. Mary Axe, EC. 12.15, Leirast, Cafe Royal, 68 Regent Street, W. 12.15.

William Ransom, Hitchin, Hertfordshire, 2.45, Textured Jersey.

Engineers Way, Wembley, Middlesex, 12, Uiteeth, Great Eastern Hotel, Liverpool Street, EC. 12.

COMPANY RESULTS

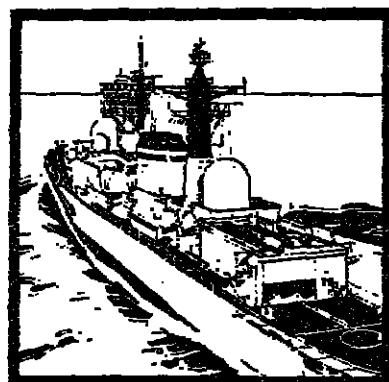
Final dividends: Goodman Brothers and Stockman. Interim dividends: Bredon and Cloud Hill Lime Works, Desoutter Brothers (Holdings), European Ferries, Laporte Industries (Holdings), Liberty, Molins, Standard Telephones and Cables.

LUNCHTIME MUSIC, London

Organ recital by Marcus Sealy, St. Paul's Cathedral, noon.

Recital by Julian Tear (violin) and Christine Bunning (soprano), Guildhall School of Music and Drama, Barbican, EC2, 1.10 pm.

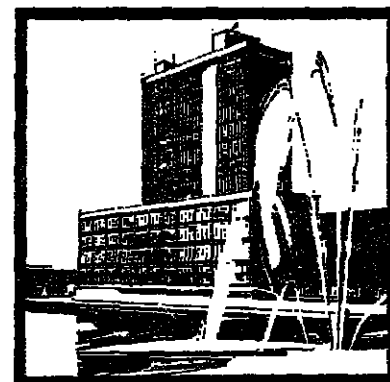
The backbone of Britain's security.



Cammell Laird

H.M.S. Ark Royal, the largest aircraft carrier to see service in the Royal Navy and H.M.S. Renown, a nuclear powered submarine are just two of the outstanding naval vessels commissioned from Cammell Laird in over 150 years of shipbuilding. Latest in a long line of warship and merchant vessel construction is a type 42 destroyer, H.M.S. Liverpool, the third of the class to be built by the yard. The revolutionary extrusion construction process, developed in the U.K. by Cammell Laird, and the highly skilled local workforce has put the vessel some 12 months ahead of schedule.

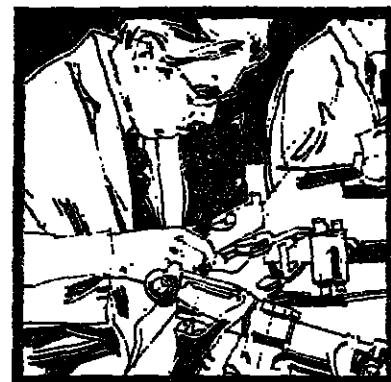
Glass Technology that leads the world.



Pilkington Group

Evolved from a small family business established in 1826, the Pilkington Group is now the world leader in glass technology due in main to their development of the 'float glass' production technique which is now licensed to 30 manufacturers in 18 countries throughout the world. Overseas earnings in 1979 totalled almost £28.5 million making the company one of the U.K.'s major foreign currency earners. Sir Alistair Pilkington F.R.S., Chairman, says "The people of St. Helens and district have a long tradition of work involving shifts and arduous conditions... We find our labour force keen and hard-working."

Aircraft Hydraulics for Boeing U.S.A.



A.P. Precision Hydraulics

A World leader in their field, A.P. Precision Hydraulics specialise in the development of hydraulic systems for military and civil aviation, marine markets and various industrial applications. Speaking from the Liverpool design and production facility, Mr. W. Brewer, General Manager, says "We are proud of our growth and the stable industrial relationship that exists... I believe that the local labour has the skill and expertise to continue to generate more business for this area."

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Telephone 051-227 5234.
Merseyside's London Office: 5 Chancery Lane,
London WC2A 1PL. Tel. 01-405 0428

Name _____
Position _____
Company _____
Address _____

Merseyside County Council

GOLD FIELDS 1980

'Gold Fields achieved another year of record earnings in real terms. All the major segments of the Group's business again contributed to this improvement.'

Extract from the forthcoming Annual Report

Highlights of a record year

		1980	1979	Increase %
Dividends payable	p	22.5	13.5	67
Historical accounting basis:				
Earnings per share	p	60.5	38.1	59
Profit before interest and taxation	£m	159.7	105.7	51
Closing total funds employed	£m	584.8	538.9	9
Return on funds employed	%	27.3	19.6	
Current cost accounting basis:				
Earnings per share	p	38.3	19.9	92

COMPANY PROFILE

Consolidated Gold Fields is a natural resource company, mining raw materials and adding value to them.

Our main product has always been gold. During the 1970's we became a leader in certain markets for construction materials. For the 1980's we have taken strategic positions in a small number of additional resource-related products.

Our customers are industry and government. We sell very little to the final consumer.

Our major strength lies in the ownership of minerals, the skills needed to discover and evaluate them and the ability to process and market them effectively.

Our corporate aim is an above-average rate of increase in dividends, arising from a balanced and increasing stream of earnings.

SUMMARY OF RESULTS AND DIVIDEND PROPOSED

For the year to 30 June, 1980, Gold Fields again achieved record earnings, which at £159.7 million before interest and taxation (an increase of 51%) substantially outpaced inflation. Earnings per share on an historical basis rose 59% to 60.5p per share; on a current cost basis earnings per share rose 92% to 38.3p.

All the major segments of the Group's business contributed to this improvement. It was achieved by higher returns on capital and some redeployment of Group assets. The Directors will recommend a final dividend of 15p per share, bringing the total dividend for the year to 22.5p per share (an increase of 67%).

GROUP PROFIT AND LOSS ACCOUNT

	1980 £ million	1979 £ million	Increase %
Profit before interest and taxation			
Construction materials	42.0	34.2	23
Manufacturing and commercial	28.8	21.5	34
Mining			
Operations of subsidiary companies	20.9	8.5	146
Share of profit of Gold Fields of South Africa	32.9	17.2	91
Gold dividends from direct holdings in mines	21.4	11.3	89
Financial			
Realisation of investments, non-gold dividends and interest receivable — net of charges	13.7	13.0	5
	159.7	105.7	51
Interest payable	17.8	17.4	
Profit before taxation	141.9	88.3	
Taxation	38.8	24.5	
Profit after taxation	103.1	63.8	62
Attributable to minority interests	13.2	7.6	
Attributable to the members of Consolidated Gold Fields Limited	89.9	56.2	60
Dividends (including proposed final)	33.6	20.0	
Retained	56.3	36.2	
Earnings per share (based on the average issued share capital)	60.50p	38.12p	

PROFIT BEFORE INTEREST AND TAXATION

The principal factors in the increase of £54 million were:

- Construction materials — increase £7.8 million
Although there was little growth in the U.K. market for construction materials, Amey Roadstone substantially increased its profit from aggregates, Premix concrete and road surfacing materials. This increase was reduced by lower profits from concrete pipes and losses on contracting in the U.K. In the U.S.A., profits from concrete pipe operations were maintained despite the recession.
- Manufacturing and Commercial — increase £7.3 million
The U.S. recession reduced Azcon's profits from steel distribution, but higher earnings were achieved from the manufacture and distribution of equipment and parts for energy related industries and from steel production and fabrication.
The strength of sterling adversely affected margins on exports of beer dispensing equipment by Alumasc, but overall the company's profits were somewhat higher than for 1979.
Previous year's losses on shipping activities were eliminated.
- Mining (Operations of Subsidiary Companies) — increase £12.4 million
The largest contributor to this sector continued to be tin mining at Reson in Tasmania, which benefited from the increased tin price. Also in Australia, profits from copper mining and mineral sands showed substantial increases, but iron-ore operations were adversely affected by cyclones.
The previous year's profits were reduced by development losses in North America which were eliminated during 1980.
- Mining (Gold dividends and GFSA) — increase £25.8 million
This substantial rise was largely due to the higher gold price. West Driefontein, East Driefontein and Kloof continued to be the three lowest cost gold mines in operation in South Africa.

GROUP BALANCE SHEET

	1980 £ million	1979 £ million
Assets employed		
Fixed assets	249.7	218.2
Goodwill	14.7	12.0
*Associated companies	84.0	64.1
*Investments	52.7	59.7
Net current assets	118.6	126.4
	519.7	480.4
Financed by		
Issued capital	37.3	37.0
Reserves	354.5	305.6
	391.8	342.6
Minority interests	36.6	30.3
Loan capital	84.5	102.9
Deferred taxation	6.8	4.6
	519.7	480.4

*The excess of the Stock Exchange value of the listed investments, and of the investments in the listed associated companies, over their book values included above was

480.5 223.9

CURRENT COST PROFIT AND LOSS ACCOUNT

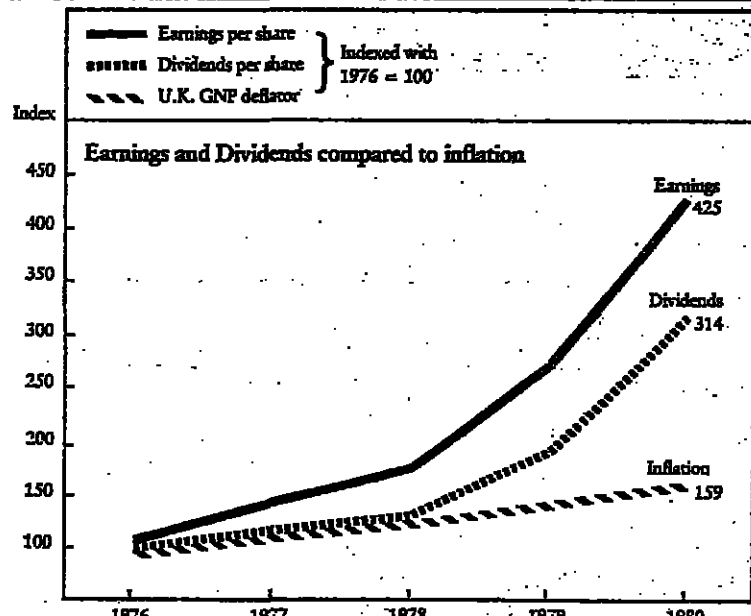
	1980 £ million	1979 £ million
Profit before interest and taxation	160	106
Current cost adjustments:		
Cost of sales	10	9
Monetary working capital	4	5
Depreciation and disposals	29	22
	43	36
Interest payable	18	17
Gearing adjustment	5	12
Current cost profit before taxation	104	58
Taxation	39	25
Current cost profit after taxation	65	33
Attributable to minority interests	8	4
Current cost profit attributable to the members of Consolidated Gold Fields Limited	57	29
Current cost earnings per share (Increase 92%)	38.3p	19.9p

FORTHCOMING EVENTS

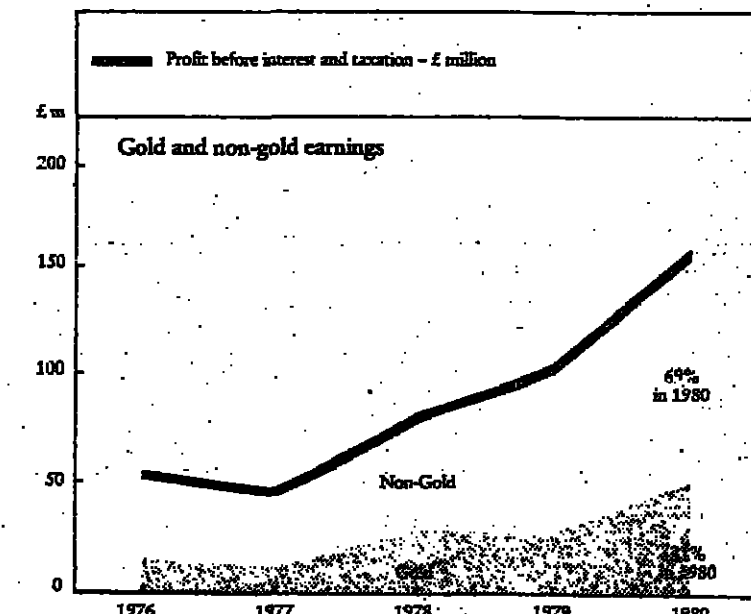
The Report and Accounts will be posted on 30 September 1980. The Annual General Meeting will be held at the Dorchester Hotel, Park Lane, London, W.1. on Wednesday, 12 November 1980 at 11.30 a.m. and, subject to approval of the proposed final dividend at this meeting, the following arrangements with regard to payment will be made:

The dividend will be payable on 25 November 1980 to holders of Ordinary shares registered in the books of the Company at the close of business on 17 October 1980 and to holders of Coupon No. 128 detached from Ordinary Share Warrants to Bearer. Dividend Warrants will be posted to registered shareholders on 24 November 1980.

HIGHLIGHTS



Earnings per share have risen fairly consistently, and comfortably outpaced inflation. After the end of dividend restraint, dividends per share have been increased substantially.



Over the past five years the rate of growth of earnings has been broadly comparable from gold and non-gold operations.

By Order of the Board,
P. E. G. ROE
Secretary
17 September 1980

Please send me a copy of your Annual Report.
The Registrar, Consolidated Gold Fields Limited, Lloyds Bank Limited, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA.

NAME _____
ADDRESS _____
Consolidated Gold Fields Limited

Companies and Markets

BIDS AND DEALS

T. Cowie removes three George Ewer directors

T. Cowie, the Sunderland motor dealer, yesterday succeeded in removing three directors from the board of George Ewer and Co., the Grey Green coach and motor dealing company, which it acquired earlier this year after a prolonged bid battle.

The removal of Mr. Henry Ewer, Mr. David Ewer and Mr. Anthony Vincent, whose service agreements were terminated by Cowie last month, came at an extraordinary general meeting called by Cowie in Sunderland yesterday.

Their removal from the Ewer board followed an emotional speech by Mr. Henry Ewer in which he defended his record as chairman of Ewer and Co. and said the treatment meted out to him by Cowie was "a poor reward for the effort."

Mr. Ewer said he had not even been able

to say goodbye to his friends.

The three former directors of Ewer said that during an "enforced leave of absence" from the company, a Board meeting was held when their service contracts were terminated "without notice or compensation."

At the heart of the row between the Cowie group and the Ewer directors is the purchase by Ewer shortly before the Cowie takeover of Eastern Tractors for £1.3m in shares.

Mr. Henry Ewer said at yesterday's meeting that he was confident the purchase would "make a significant contribution to profits." But after the meeting Mr. Tom Cowie, chairman of T. Cowie, said he did not believe the purchase was a good one bearing in mind the state of the agricultural machinery market.

Now the three dismissed directors are pursuing a legal

action for the recovery of cash which they say they are owed by Cowie following their ultimate acceptance of the Cowie takeover, and are instituting another "unfair and unlawful" dismissal.

Cowie yesterday confirmed that the payment of the cash consideration due to the former directors in respect of their holdings in Ewer has been withheld and the money had been put on deposit in a specially designated account.

Cowie said that this action was taken on the advice of legal counsel as being appropriate in the context of impending legal proceedings against the former directors of Ewer arising from Ewer's acquisition of Eastern Tractors. This move by Cowie has the full backing of Samuel Montagu and Co., Cowie's advisers.

JFB-Amal. Industrial deal query

Amalgamated Industries' attempt to sell some of its subsidiaries to Johnson and Firth Brown seems to have come unstuck. Amalgamated said yesterday that action had been taken to set aside the contract which gave JFB an option to buy the assets.

Under the deal, JFB was granted an option to acquire Everbright Fasteners, Lion Steel Equipment, Gills Pressure Castings, and Stainless and Alloy Steels up to the end of next January. As payment, JFB would transfer £280,000 of 12 per cent unsecured loan stock 1989 from Richard Garrett Engineering to Amalgamated Industries.

Yesterday, however, Amalgamated said it had taken legal advice on the contract entered into with JFB in July. With Amalgamated having moved to void the deal, JFB has also repudiated the contract.

Amalgamated said it accepted this repudiation, claiming that before the conflict, a restoration to its position immediately after the repudiation would be a fair and reasonable one. Amalgamated said it had issued instructions to its solicitors to start legal proceedings.

RAY TRADING/WILLIAM PICKLES

The further shares purchased by Ray Trading Ltd. (Switzerland) in the capital of William Pickles and Company, the Manchester textile manufacturer, came from family holdings. Ray Trading, which has held a stake in the company for about five years, announced on Wednesday that its holding of ordinary voting shares had gone up by 463,974 to 1,571,474, or from 16.3 per cent to 22.91 per cent; and the "A" shareholding

by 507,974 to 1,964,974, or from 5.13 per cent to 8.71 per cent. The company announced yesterday that Mrs. H. Pickles and others had disposed of 320,977 ordinary shares and 708,997 "A" shares being their entire holdings. Also Mr. H. Halstead and others have disposed of 88,977 "A" shares and 122,997 ordinary shares, also their entire holdings.

JOHN BRIGHT PREPARED STOCK OFFER

James Sharpe and Company on behalf of Largs, are prepared to bid through the market 51p for John Bright Group's 51 per cent cumulative £1 preference shares. The bid is subject to normal market expenses. Agreement in principle has been reached with a number of institutional holders of the stock. The offer will remain open until October 28.

Mr. Ross sells Stroud Riley stake

Mr. Harvey Ross, the Yorkshire gold investment and coin dealer, has sold his 18.8 per cent holding in Stroud Riley Drummond, the Bradford textile group. The 653,938 shares, which were sold on Monday at a price in excess of 51p, went to 36 predominantly institutional investors.

Mr. Ross said yesterday that he sold the shares as he realised it would be difficult for him to control a controlling interest in the company. Mr. Stefan Simmonds, the Stroud managing director, and the Stroud family together control around 60 per cent of the shares.

Mr. Ross said he had been approached by a number of interested parties about his shares, an attractive offer was made and he decided to accept it. He said that something more attractive might come up in his other ventures and added that his company, Harvey Michael Investments, was looking at two or three other public companies with a view to acquiring an interest.

He announced that H.M.I. was diversifying into natural resources and had formed two companies, Ross Oil & Gas and Resources, which would also provide finance in companies connected with natural resources, mainly in Northern England.

Mr. Simmonds, who through his Simco Supermarkets holds 32.7 per cent of Stroud, said yesterday that a lot of interest in the shares had been generated by Mr. Ross's shares purchases over the past months. He said he was more concerned with running the business than speculating on shares and said he had no plans to make a full bid for the company.

He said the textile industry was facing a difficult time but he was attempting to put the company on a better footing and was sure he had found the right way.

After a £82,000 loss (£406,000) in 1979/80 the company was looking for better trading in the current year.

ESPERANZA/RIT/GUINNESS PEAT

Discussions have been taking place for a number of months between RIT and Guinness Peat about the relationship of RIT and Guinness Peat as two major shareholders in Esperanza.

The two shareholders have formally decided to end their agreement, dating from 1970 when RIT originally acquired the interest in Esperanza, to act together as shareholders of the

company. RIT has also agreed to acquire 1,451,473 ordinary shares of Esperanza from Guinness Peat at a price of 145p x4 per share, which will increase RIT's holding in Esperanza from 17.2 per cent to 26.5 per cent. Guinness Peat will accordingly reduce its holding from 21.3 per cent to 4.8 per cent and has stated that it is its present intention to continue to hold its interest at that level.

Esperanza has been informed of these decisions and Lord Kinnaird, chairman of Esperanza, has invited Mr. Jacob Rothschild to return to March 28, 1980, as a member of the board of Esperanza as a representative of RIT.

'More than one' approach for Marler Estates

Marler Estates, the property development company whose £3.5m. share price has risen 24 times in value since its flotation in 1970, has confirmed that it had received "more than one approach" for a substantial part of the 48 per cent of Marler owned by Blade Investments, a nominee vehicle for clients of Lazard Brothers.

The news led to another sharp rise in the share price—from 94p to 106p. According to last year's balance sheet, net assets per share amounted to 53p, after adjusting for the post-balance sheet sale of Marler House for development company whose £3.5m. share price has risen 24 times in value since its flotation in 1970, has confirmed that it had received "more than one approach" for a substantial part of the 48 per cent of Marler owned by Blade Investments, a nominee vehicle for clients of Lazard Brothers.

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GOLD FIELDS 1980

Notice To Holders Of Ordinary Share Warrants To Bearer

Final Dividend
Subject to approval of the proposed final dividend at the Annual General Meeting to be held at the Dorchester Hotel, Park Lane, London, W.1. on Wednesday 12th November, 1980, the dividend will be paid on 25th November, 1980; or at the expiration of six clear days after lodgment thereof, whichever is the later, to holders of Coupon No.128 detached from Ordinary Share Warrants to Bearer.

Payment will be made:

in London at:
Midland Bank Limited, New Issue & Securities Department, Mariner House, Pepys Street, London EC3N 4DA

in Paris at:
Lloyds Bank International (France) Limited, 43 Boulevard des Capucines, 75061 Paris, Cedex 02

in Zurich at:
Union Bank of Switzerland, 8021 Zurich, 45 Bahnhofstrasse

Consolidated Gold Fields Limited
49 Moorgate, London EC2R 6BQ

Companies
and Markets

UK COMPANY NEWS

Corinthian
shows
advance

AN INCREASE of £20,777 to £271,715 in first-half pre-tax profits is reported by Corinthian Holdings, the financial services group, with interests in the manufacture and distribution of essential and pricing operations. The turnover rose from £3.18m to £3.5m.

The pre-tax figure was struck after central overheads and interest charges of £27,111 (£27,060) and provisions amounting to £5,403 (provisions released £17,980).

After tax up from £72,674 to £82,328 and minorities £2,682 (£2,614), retained profits came out at £141,863 (£141,588).

Stated earnings per 10p share rose up from 3.11p to 3.36p and the interim dividend is raised from 0.75p to 0.78p. The year's profit was 1.5p from pre-tax profits of £589,000.

E. McBride

UP MIDTERM

First-half 1980 taxable profits of Robert McBride (Midstream), subsidiary of BP which produces domestic bleaches, detergents and toiletries, rose to £2.39m against £1.97m.

Turnover was up at £9.99m (£9.24m) and tax took £222,000 (£277,000).

Boddingtons' 30% ahead

A CONTINUING demand for its locally brewed beer has resulted in Boddingtons Breweries increasing its pre-tax profits by nearly 30 per cent from £1.81m to £2.34m in the half-year to June 28, 1980.

Turnover was up from £10.18m to £11.39m.

The total volume of sales held up well, says Mr. Ewart Boddington, the chairman, and were only marginally down on the corresponding period last year. Free-trade sales, however, rose again and now represent about 30 per cent of the company's trade.

Mr. Boddington says the second half has started well, with a small rise in volume

Delta Metal slips midway
and expects lower year

A SEVERE drop in UK demand from the beginning of April has left pre-tax profits of The Delta Metal Company, non-ferrous metals engineering, electrical and building products manufacturer, marginally lower at £13.46m for the half year to June 28, 1980, compared with £14.05m.

Profits for the whole year will be lower than the £30.43m reported in 1979, states Viscount Caldecote, the chairman. But he is confident that with the continuing action being taken to improve the business and reduce costs, the group will emerge from the present recession in better shape and well prepared to take orders on a more profitable basis.

First-half sales were £26.45m higher at £283.28m due, says the chairman, to higher prices rather than larger volume. Exports rose £5.5m to £38.3m, reflecting higher volume, but margins were lower because of rising costs and the strength of sterling.

The pre-tax surplus, which is reduced to £4.7m (£5.4m) on a current-cost basis, is struck after depreciation of £3.95m (£5.13m) and interest charges of £2.34m (£5.41m) and includes the associates' share of £3.92m (£3.08m). Tax takes £5.86m (£5.56m) and

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim—Ereton and Cloud Hill Lime Works, Camm, Dainton Brothers, European Ferries, Laporte Industries, Liberty, Meina, Standard Telephones and Cables.

Finals—Goodman Brothers and Stockman, Northern Industrial Improvement Trust.

FUTURE DATES

Interim—

Asbury and Madeley Sep. 24
Industrial and General Trust Oct. 16
Sparrow (G.W.) Oct. 6
Wilkinson Warburton Sep. 25

Finals—

Advest Sep. 29
Green (R.J.) Properties Oct. 13
Park Place Sep. 22
Raine Engineering Industries Oct. 6
Sirewall European Invest. Trst Sep. 25

minorities £0.46m (£0.41m). Stated earnings per 25p share are down from 5.6p to 4.3p but the interim dividend is maintained at 1.82p, again absorbing £2.6m. Last year's final was 4.18p.

Overall, the group's overseas companies achieved higher sales and profits, with a shortfall in Europe being more than made good in Africa and Australia. The chairman expects overseas profits to continue at a satisfactory level.

But in the UK demand is still at a low level and this, together with strong pressure to reduce stocks both in the company and

by customers, has led to closures, redundancies and short-time working. The chairman is hopeful, however, that destocking by customers is largely completed and that home demand will fall no further.

The group's metal account, dealt with separately from the trading results, shows a net loss of £2.57m for the six months against a profit of £4.24m, after tax relief of £0.15m (£0.52m charge). Until the year end, no transfer is made to or from the metal price contingency reserve, which at December 28, 1979 stood at £14.27m.

Lex, Back Page

Upturn at
Thomas
Marshall

TAXABLE profits of Thomas Marshall and Co. (Laxley), manufacturer of refractory and heat insulating materials and carbon for the chemical and metallurgical industries, recovered from £125,000 to £225,000 in the half-year to June 30, 1980, but were still well below the 1979 midway surplus of £369,000. For the last full year, profits were £243,390, down from £1.14m.

As long as the demand for steel continues at its present exceptionally low level, say the directors, it is difficult to foresee a return to previous levels of profitability.

The group has closed one of its Wrexham works because of the reduced demand for insulating refractories, for which the directors blame a worldwide recession in the chemical and petrochemical industries, the strong pound, inflation, high interest rates and a continuing unjustified increase in the price of gas.

First-half sales were £3.38m (£3.71m) and the surplus was struck after depreciation of £152,000 (£157,000) and interest of £271,000 (£163,000).

Tax takes £50,000 (£32,000) and there is an extraordinary debit this time of £31,000. Earnings per 25p share are shown as 2.52p (1.58p) and the interim dividend is held at 1.2p—last year's final was 1.57p.

MINING NEWS

Malays to have state's
big tin group holding

BY KENNETH MARSTON, MINING EDITOR

THE MALAYSIAN Government-owned Pemas Group has announced that it will transfer the 71 per cent equity it holds in Malaysia Mining Corporation (MMC), the world's largest tin mining group, to the Bumiputera Foundation, as part of the Government's policy of transferring profitable companies to the Malays, writes Wong Sulong from Kuala Lumpur.

The Pemas Group managing director, Mr. Rahman Hamidon, said the transfer would be effected by the end of the year, although the terms of the transfer have not yet been finalised.

Under the Government's policy, its take in profitable companies, such as Bank Bumiputera, Malaysia Banking Berhad, and many others, will be transferred to the Bumiputera Foundation. The Government's stake in these companies amounts to several billion Malay dollars, at market value.

The foundation's subsidiary, Permodalan Nasional, will then issue unit trusts for sale to Bumiputeras (Malays). The first of the unit trusts will be launched by the end of the year and each Malay will be restricted to the purchase of 20,000 units. MMC is 29 per cent owned by

London's Charter Consolidated. The MMC annual report shows a pre-tax profit of M\$88m (£13.6m) for the year ended January 1980, compared with M\$83m in the previous year.

The better results were attributed to high metal prices, the sale of some of its investments, and the "strong results" of its subsidiary, MMC Market, which does its own marketing of tin in partnership with Anglo-Chemical, instead of selling tin through smelters on the Penang market.

During the year under review, MMC entered into several agreements with the state governments of Perak, Johore, Kelantan and Selangor, to explore for and mine tin. The most significant agreement was with the Selangor government last July to exploit the extensive tin deposits in Kuala Langat.

Another development was the Pemas decision to transfer all its activities under its subsidiary, Pemas Mining, to MMC. This in effect means that MMC now holds the rights to the minerals (except oil and gas) in most of the territorial waters off the west coast of peninsula Malaysia. A comprehensive offshore drill-

ing programme is currently being planned to exploit these areas, particularly off the Lumut district in Perak State where illegal offshore mining is being reported.

Candecca
group seeks
oil in Wilts.

The consortium which drilled the Lockton East and Malton No. 3 wells in Yorkshire, both of which were plugged and abandoned, are moving the drilling rig to Yarnbury, in Wiltshire.

An exploratory well will then be drilled on the site, which is around 30 miles west of the famous Humby Grove oil discovery in the Dorset/Hampshire basin.

The consortium comprises Candecca Resources, 49 per cent, Taylor Woodrow Energy, operator with 14.25 per cent, RTE Oil and Gas, 14.25 per cent, Naama North West Oil and Gas (UK), 13 per cent, and James Finlay, 8.5 per cent.

Associated
Communications CorporationLord Grade of Elstree, Chairman
and Chief Executive, reports on
the International Group

"The profit figure of £14,101,000 is the second highest in the 25-year history of the Company."

Indeed, had it not been for a national industrial dispute which kept the whole of Independent Television off the air for eleven successive weeks, the profit would undoubtedly have exceeded the record of £16,308,000 which was achieved in 1978/79."

BANK RETURN

	Wednesday September 17 1980	Increase (+) or Decrease (-) for week
BANKING DEPARTMENT		
Liabilities		
Capital	14,553,000	442,150
Public Deposits	37,610,548	+ 282,855,486
Bankers' Deposits	678,080,089	+ 21,052,534
Reserve & other Accounts	698,390,138	
	1,360,593,599	+ 208,375,518
ASSETS		
Government Securities	824,089,064	+ 84,275,001
Advances & Other Accounts	849,789,988	+ 118,605,859
Loans, Equipment & Other Sec.	567,304,486	+ 296,250,867
Notes	26,746,800	+ 469,152
Other	887,272	+ 17,618
	1,360,593,599	+ 208,375,518
ISSUE DEPARTMENT		
Liabilities		
Notes Issued	10,175,000,000	- 25,000,000
in Circulation	10,146,857,200	- 25,469,133
in Banking Department	28,746,800	+ 469,152
ASSETS		
Government Debt	11,015,100	
Other Government Securities	8,576,441,098	- 194,071,685
Other Securities	1,587,545,808	+ 169,071,685
	10,175,000,000	- 25,000,000

Croda International
Half year report

By Sir Frederick Wood, Chairman

First half results have been severely affected by high interest rates and energy costs, the strength of sterling and depressed economic conditions in the home market.

Pre-tax profits have been undermined by a loss of £1.7m in Food Ingredients Group, mainly attributable to continued poor trading in Gelatin and animal by-products. Organic Chemicals and Paints did well, exports have increased by 12% over the comparable period in the previous year and overseas profits are higher despite a setback in the American inks market.

Although prospects for the second half are not encouraging, we are maintaining the interim dividend at last year's level of 1.5p net per share.

Interim Unaudited Profit Statement for the Six Months ended 29 June 1980

	6 Mths to 29 June 1980	6 Mths to 1 July 1979	Year 1979
External Sales	138,679	127,553	267,172
Trading Profit	6,526	8,733	17,285
Associated Companies and Investments	281	335	887
Net Interest Payable	6,807	9,068	18,172
Profit before Taxation	3,032	1,436	3,430
UK Taxation	3,776	7,632	14,742
Overseas Taxation	56	1,184	(283)
Profit after Taxation	877	1,058	1,451
Minority Interests and Preference Dividends	2,902	5,380	13,574
Unrealised Exchange Losses	38	33	64
Extraordinary Item	2,864	5,357	13,510
Net Profit after Taxation and Extraordinary Item available to Ordinary Shareholders	206	28	194
Amount absorbed by Ordinary Dividends	2,658	5,329	12,066
Profit Retained	1,584	1,580	3,276
Earnings per Share of 10p	1,074	3,748	8,790
Basic	2.71p	5.10p	12.85p
Fully Diluted	2.47p	4.60p	11.57p
Ordinary Dividends			
—pence per share (net)			
Interim 1979	—	1.5p	1.5p
Final 1979	—	—	1.6p
Announced 18 September 1980	1.5p	—	—
Interim 1980	—	—	—

Note:
The interim dividend for 1980 will be paid on 8 December 1980 to shareholders registered on 7 November 1980.

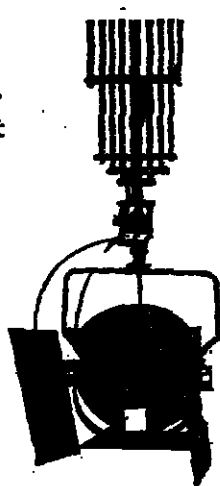
Croda International Ltd
Cowick Hall Snaith
Goole North Humberside
DN14 5AA

18 September 1980

Television

ATV's current contract for seven-day-a-week television runs until 31st December 1981. By the end of 1980 the Independent Broadcasting Authority will reach its decision on the award of new contracts which will run for eight years. For the period of these contracts the Midlands franchise area will be a dual region comprising the East and West Midlands and ATV has applied for the contract.

A new company, ATV Midlands Limited, has already been set up and a second studio complex is planned for the East Midlands.



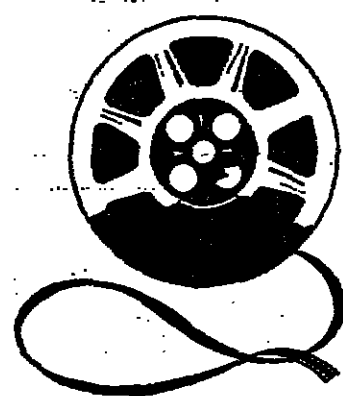
T.V. programmes

Initially a proportion of ATV productions will continue to be made at Elstree. Thereafter, Elstree will become available for additional television productions and for special programmes for export.

A new company, Daybreak Television, in which ACC has a minority interest, has made an application for the proposed nationwide breakfast-time television franchise, and Elstree has been suggested as the ideal production centre.

Films

Our subsidiaries now embrace all three aspects of production, distribution and exhibition and the acquisition of Classic Cinemas place more than 140 screens at our disposal. The full-length Muppet Movie has broken box office records and its much sought after successor is already in production. Altogether, the film division production schedule has never been stronger.



Theatres

The theatre division enjoyed a year of truly outstanding successes and its profit figure of £1.1 million stands at an all-time record. The year saw packed houses for Yul Brynner in 'The King and I' at the Palladium and 'Annie' at the Victoria Palace. The theatrical costumers, Bermans & Nathans, established new overseas records and their work is to be seen in London's exciting new attraction 'The Palladium Cellars'.

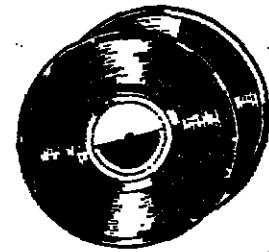


Music

Our main music publishing subsidiary, ATV Music, rose to be the No. 2 company in UK music publishing, and profits and prospects are both excellent. Its subsidiary company, Bruton Music, is now firmly established as a prominent supplier for both television and films.

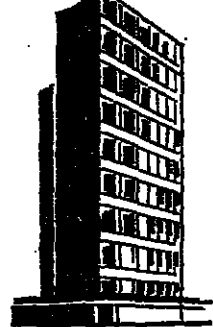
Records

In common with all other record companies, Pye Records had to face a world-wide recession within the industry. Special attention is now being paid to the important new development of video cassettes and video discs.



Property

The results of Bentrax Investments—up from £3.5 million to £4.2 million—are impressive and the acquisition of Intereuropean Property Holdings has added a new portfolio, including the important Eros site at Piccadilly Circus.



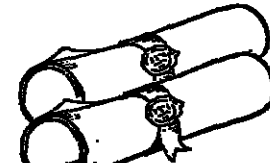
Telephone answering

For the second year in succession the results of Ansafone have been outstandingly successful and in spite of competition at home and abroad the growth rate has been one of 40%.



Insurance

Two Bermudian companies were purchased by Marbach Insurance Company and a new company, Bryanston Insurance, has been established. Subsidiaries have been set up in Australia, Hong Kong and Gibraltar, and trading has been profitable throughout.



Jetsave

The Group acquired an 85% stake in Jetsave, a company which is both a pioneer and a leader in the rapidly growing field of trans-Atlantic holiday travel.



Copies of the full Report and Accounts for the year to 31st March 1980 are available from the Secretary, Associated Communications Corporation Limited, ACC House, 17 Great Cumberland Place, London W1A 1AG.

Brown Boveri Kent net loss in first half

Second City higher

PROFITS BEFORE tax of Brown Boveri Kent (Holdings) slumped from £3.1m to £536,000 in the first half of 1980 and after tax, a net loss of £153,000 was incurred against profits of £219m last year.

No interim dividend is being declared. Last year, the group, designer, maker and marketer of industrial instruments and metering devices, paid a 1p interim followed by a 1.5p final—pre-tax profits for the year amounted to £5.78m.

Loss per 25p share in the first half is stated as 0.52p (3.79p earnings).

Operating surplus of £3.22m (£4.92m) fell to 74 per cent of sales, this reduction being compounded by a substantial rise in interest charges, reflecting higher borrowings and the level of interest rates.

Despite the further strengthening of sterling and the intense competition in all markets, both the industrial measurements and meters sectors showed results not materially different from the comparable period of the previous year, and the subsidiaries operating outside the UK produced better results than in the previous period, the directors say.

Results for Introl valves were satisfactory, but the remaining

substantial activities of the process control division in the UK suffered a downturn: output and margins were depressed by weak prices and delays on certain contracts, largely outside the company's control.

At the same time costs and cash flow were affected by the substantial build-up of activity on the new range of electronic control systems, where orders and prospects are encouraging, and by the coming on stream of the new factory at Stonehouse for flow products—a facility of great potential.

With the exception of process control, orders taken were at a similar level to the previous year, showing no growth in real terms, and the overall order backlog should permit turnover in the remainder of the year to be at a higher level.

Half-year 1980 1979
Turnover £3,221 £4,918
Operating surplus £3,221 £4,918
Depreciation 1,172 1,031
Interest charges 1,513 323
Profit before tax £38 3,564
Overseas tax 678 687
ACT 3 238
Prior year tax adjust. 153 125
Net loss £2,185 129
Minorities 129 129
Attributable loss 21 2,057

However, while rationalisation programmes and manpower reductions have been imple-

mented in all sectors, margins will continue to be a cause of concern.

comment

Profits of Brown Boveri Kent (Holdings) have been declining for more than a year but the sharp fall into an after tax loss in the first half of the current year was a nasty surprise. The shares dropped 2p to 25p. Most of the damage occurred at the operating level where profits dropped 35 per cent and margins more than four points. Demand for the group's industrial process control equipment, about half of sales, has been particularly weak in the UK and competition abroad has been severe. An 84 per cent increase in interest charge has been caused to a large extent by the cost of delays in delivering equipment on some major export contracts. The final blow comes from overseas taxation, which turns the £5.5m pre-tax profit into a £153,000 loss.

Borrowings are slightly higher than the £18m net at the end of 1979, about two-thirds of shareholders funds, but income gearing of 47 per cent in the first half is not desperate. Still, there could be quite a wait before industrial capital investment stimulates the order book in a major way as the dividend cut suggests.

After a higher tax charge of £207,576 (£58,992) stated earnings per 10p share are 7.28p (7.45p) basic, and 6.75p (6.85p) fully diluted.

A revaluation of properties held as fixed assets or for investment has resulted in a surplus of £1.74m. This has been included in shareholders' funds which increased in the year by £3.5m to £15.5m and represent 77.2 per share.

The company is engaged in private and public building developments and property investment.

Liverpool Post dives midyear

Harrison Cowley up midway

FOR THE first half of 1980, pre-tax profits of the Liverpool Daily Post and Echo have slumped from £1.53m to £510,000 on reduced turnover of £24.7m against £30.15m. However, the directors are maintaining the interim dividend at 3.462p per share.

At the end of 1979, the group paid a total dividend of 9.5p from pre-tax profits of £4.11m (£4.02m).

Net profits in the first half this year are £412,000 against £1.23m with earnings per share stated as 3.7p compared with 10.9p and 23.4p at the end of last year.

The Board states that the group's half-year profit has been hit badly by the NGA dispute which, by one form of disruption or another, affected virtually the entire second quarter's trading for the UK newspapers.

In addition to this setback, the continuing weakness of both the American and the Canadian dollar adversely affected North American earnings and assets on conversion to sterling; and, further, undermined the prices realised by the three UK paper mills.

Against a background of re-

cession in Merseyside, the UK generally and in North America, the outlook for the rest of 1980 cannot be optimistic, the directors say.

As during the first half-year so in the third quarter it becomes ever more apparent that the cost base of the daily newspapers in Liverpool is far too high. To date, the Liverpool dailies have traded at a significant loss in every week of the third quarter.

If the morning newspaper, the Liverpool Daily Post, is not to close, major cost reductions must be introduced, says the Board. Urgent talks to this end are to take place with the relevant trade unions.

Despite the general economic climate—the group's other divisions will produce sound year-end results. The paper-making and packaging division looks for a profit not far short of last year's.

In Canada, too, the company expects only a small decline in dollar profits compared with 1979. This should be compensated by improved figures from the U.S. group of weeklies publishing in the suburban Pittsburgh.

The situation of the Liverpool

daily newspapers seems certain to make 1980 the group's worst year for over a decade. Against that background it should be recognised that provided the group achieves the vital economies at the Liverpool dailies—without which the morning newspaper cannot survive—the group remains a sound one, the Board adds.

The papermaking and packaging division shows itself resilient during a difficult period for its industries, and longer-term plans for continuing growth there and in both Canada and the U.S. are encouraging.

GT JAPAN INVESTMENT

A final dividend of 3p from GT Japan Investment Trust, chairman, expects the group to achieve his forecast of £900,000 profits for the full year. The forecast was made at the time of the placing of 30 per cent of the shares under Rule 165(2) early in July, and Mr. Harrison said that the greater proportion of the expected surplus would arise in the first half.

Stated earnings, after tax of £344,000 (£221,000) are up from 3.6p to 5.38p and the interim dividend is 1.4p, as foreshadowed at the time of the placing, when directors also announced their intention to pay a final for 1980 of 2.46p.

After an extraordinary debit this time of £47,000, representing the expenses of the share placing, attributable profits are £222,000 (£130,000).

Second City higher

Despite a considerable drop in turnover, from £19.2m to £16.54m, taxable profits of Second City Properties improved from £1.07m to £1.2m in the year to end-April, 1980.

At mid-year, pre-tax profits were ahead by over 28 per cent at £533,493 (£415,089) on turnover down from £10.3m to £8.5m. The chairman said then that the increase in profits was mainly attributable to improved margins in the private housing divisions together with a continued reduction in contracting activities.

He said he was confident that results for the full year would show an improvement over those reported last time.

The directors are increasing the final dividend by 10 per cent to 1.961p, which makes a total for the year of 2.2152p net (£2.0701p).

After a higher tax charge of £207,576 (£58,992) stated earnings per 10p share are 7.28p (7.45p) basic, and 6.75p (6.85p) fully diluted.

A revaluation of properties held as fixed assets or for investment has resulted in a surplus of £1.74m. This has been included in shareholders' funds which increased in the year by £3.5m to £15.5m and represent 77.2 per share.

The company is engaged in private and public building developments and property investment.

Dollar firm

The dollar was very firm in the foreign exchange market yesterday, helped by firmer Euro-dollar rates, and an easing of some European interest rates. News of a cut in the German Bundesbank's Lombard rate prompted selling of the D-mark against the dollar, and this was followed by the announcement of a reduction in Denmark's bank rate.

The dollar rose to DM 1.7915 from DM 1.7820 against the D-mark, to SwFr 1.6420 from SwFr 1.6290 in terms of the Swiss franc, and to Y212.90 from Y211.90 against the yen, although the dollar had already improved against the yen earlier in Tokyo.

On Bank of England figures, the dollar's trade-weighted index rose to 85.6 from 83.3.

Sterling's index, as calculated by the Bank of England, rose to 75.6 from 75.5, after opening at 75.7 and falling to 75.6 at noon.

The pound opened at \$2.3925, \$2.3935 and touched a high point of \$2.3955-\$2.3975 in early trading. It fell to \$2.3890-\$2.3900 shortly before the announcement that the Minimum Lending Rate was unchanged, but then improved to \$2.3930-\$2.3940. Heavy buying of the dollar out of New York pushed sterling to a low of \$2.3830-\$2.3850 in the afternoon, and the pound closed at \$2.3845, a fall of 75 points on the day.

D-MARK—One of the weaker members of the European Monetary System of late, but showing little change against most currencies including the dollar. There was little immediate reaction to yesterday's cut in the Bundesbank's Lombard rate, but the D-mark did weaken against the dollar during

the afternoon. The D-mark was slightly weaker at the Frankfurt fixing, with the Dutch guilder rising to DM 91.97 from DM 91.9650 per 100 guilders, and the Irish punt to DM 3.7680 from DM 3.7640. An early firming of Eurodollar interest rates helped the dollar which was fixed at DM 1.7812. During the afternoon the U.S. currency rose above DM 1.7900 for the first time this month. Sterling rose to DM 1.2610 from DM 1.2580 at the fixing.

DANISH KRONE—Remained quite firm around the middle of the EMS after two devaluations in 1979. The krone lost ground to the D-mark, but was supported by a rise in the Copenhagen fixing, and weakened further in the afternoon following news of the 1 per cent cut to 12 per cent in Denmark's bank rate. The dollar was fixed at Dkr 5.5168, compared with Dkr 5.5115, but rose above Dkr 5.5400 in late trading. Sterling continued to advance against the krone in the afternoon from a fixing level of Dkr 13.1945, compared with Dkr 13.1770 previously.

JAPANESE YEN—Advancing steadily since the middle of last month, helped by the general weakness of the dollar, and the fundamental improvement in the Japanese economy, which is expected to bring another cut in the central bank discount rate.

The yen was slightly easier in light Tokyo trading, reacting calmly to the outcome of the OPEC meeting in Vienna. News that Saudi Arabia is to raise its oil price tended to depress the yen, and the dollar rose to Y212.05 from Y211.60, touching a best level of Y212.15.

EMS EUROPEAN CURRENCY UNIT RATES

ECU	Central rates	Currency amounts against September 18	% change from central rate	% change adjusted for divergence	Divergence limit
Belgian Franc	39.7687	40.5816	+1.94	+0.73	±1.53
Danish Krone	7.72356	7.92312	+1.29	+0.08	±1.94
German D-Mark	2.48208	2.52897	+1.89	+0.08	±1.125
French Franc	5.47600	5.68113	+3.67	-0.63	±1.3567
Dutch Guilder	2.74362	2.75188	+0.30	-0.01	±1.512
Irish Punt	0.688201	0.670338	-0.26	-0.29	±1.668
Italian Lira	1157.78	1201.75	+3.76	+2.89	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Sept. 18	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canadian Dollar	Belgian Franc	Other
Pound Sterling	1	2.39	4.75	308.0	9.30	8.915	4.645	209.9	3.787	69.55	
U.S. Dollar	0.419	1	1.793	115.0	4.164	1.948	1.948	860.5	1.168	28.74	
Deutsche Mark	0.234	0.558	1	118.8	9.283	0.916	1.087	474.5	0.282	16.040	
Japanese Yen	1,000	1,069	8.415	1,000	18.56	7.707	9.144	399.5	5.465	124.8	
French Franc	1,000	1,007	2.402	511.5	10	5.943	4.678	204.3	5.905	49.008	
Swiss Franc	0.555	0.509	1.098	198.8	1.0	1.185	1.185	904.3	0.713	17.512	
Dutch Guilder	0.215	0.515	0.930	109.4	0.213	0.943	1	436.7	0.660	14.703	
Italian Lira	0.493	1.176	2.107	850.4	4.895	1.930	1.890	1,000	3.74	34.703	
Canadian Dollar	0.559	0.866	1.534	189.3	5.564	1.408	1.867	728.0	1	64.60	
Belgian Franc	1.459	3.479	6.536	741.1	14.48	6.711	6.776	395.9	4.065	100.31	

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 18)

3 months U.S. dollars	6 months U.S. dollars
bid 11 1/16 offer 12 1/16	bid 12 1/2 offer 13 1/8

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Sept. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Short term	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
7 days notice	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Month	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Three months	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Six months	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
One Year	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4

Long-term Eurodollar two years 12 1/2-13 per cent; three years 12 1/2-13 per cent; four years 12 1/2-13 per cent; five years 12 1/2-13 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore. The following nominal rates were quoted for London dollar certificates of deposit: one-month 11 1/2-11 3/4 per cent; three-months 11 1/2-11 3/4 per cent; six-months 12 1/2-12 3/4 per cent; one year 12 1/2-12 3/4 per cent.

INTERNATIONAL MONEY MARKET

German rate cut

The West German Bundesbank yesterday announced a cut in the lombard rate to 9 per cent from 9 1/2 per cent. Such a move had been anticipated for some time, with rumours circulating about a possible cut ever since the first meeting of the central bank committee, held after the summer recess, on September 4. This brings the lombard rate more into line with interbank money rates, since call money has not risen above 8 1/2 per cent during September. Yesterday call money was quoted at 8 1/4 per cent compared with 9 1/2 per cent on Wednesday. At the same time as yesterday's lombard cut, the authorities announced their intention to continue the recent run of sale and repurchase agreements with the market, thereby providing liquidity where necessary, and enabling the authorities to retain some control over market trends.

In Copenhagen the Danish central bank cut its discount rate to 12 per cent from 13 per cent. At the same time the rate on discount facilities was reduced to 12 per cent from 13 per cent. The discount rate has stood at a record 13 per cent since February this year, when it was raised two points from 11 per cent.

GOLD

Slight fall

In the morning and 807.20 in the afternoon, gold was fixed at \$790.00 per ounce (\$874.76 per ounce) in the afternoon, compared with \$790.00 (\$877.04) in the morning, and \$790.00 (\$875.74) Wednesday afternoon.

In Frankfurt the 15 1/2 kilo bar was fixed at DM 38,865 per kilo (\$874.76 per ounce), against DM 38,905 (\$879.29) previously, and closed at \$871.673 compared with \$872.574 on Wednesday. In Zurich, gold finished at \$871.674 against \$874.677.

UK MONEY MARKET

Free supply

Bank of England Minimum Lending Rate 16 per cent (from July 3, 1980)

Day to day credit was in good supply in the London money market yesterday, and discount houses balanced their books without any official intervention.

There were no appreciable factors working against the market, but on the other side banks brought forward balances a moderate way above target. Discount houses were paying

LONDON MONEY RATES

Sept. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Overnight	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
2 days	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
7 days	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Month	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Three months	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Six months	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
One Year	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4
Two years	16 1/2-16 3/4	10 1/2-11	10 1/2-11	9 1/2-10	1 1/4-1 1/2	8 1/2-9	11 1/2-11 3/4	14-18	30 1/2-31	12 1/2-12 3/4

Local authority and finance houses seven days' notice, others seven days' notice. Long-term local authority mortgage rates nominally three years 13 1/2-14 per cent; four years 13 1/2-14 per cent; five years 13 1/2-14 per cent; six years 13 1/2-14 per cent; seven years 13 1/2-14 per cent; eight years 13 1/2-14 per cent; nine years 13 1/2-14 per cent; ten years 13 1/2-14 per cent. Approximate selling rates for one-month Treasury bills 14 1/2-15 per cent; two-months 14 1/2-15 per cent; three-months 14 1/2-15 per cent; six-months 14 1/2-15 per cent; one-year 14 1/2-15 per cent; two-years 14 1/2-15 per cent; three-years 14 1/2-15 per cent; four-years 14 1/2-15 per cent; five-years 14 1/2-15 per cent; six-years 14 1/2-15 per cent; seven-years 14 1/2-15 per cent; eight-years 14 1/2-15 per cent; nine-years 14 1/2-15 per cent; ten-years 14 1/2-15 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from September 18, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.024 per cent.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / September, 1980

6,500,000 Shares

Canadian Pacific Enterprises Limited

Common Shares
(without nominal or par value)

Salomon Brothers

The First Boston Corporation

Bache Halsey Stuart Shields

Donaldson, Lufkin & Jenrette

L. F. Rothschild, Unterberg, Towbin

Warburg Paribas Becker

A. E. Ames & Co.

McLeod Young Weir Incorporated

Oppenheimer & Co., Inc.

ABD Securities Corporation

Basle Securities Corporation

Daiwa Securities America Inc.

EuroPartners Securities Corporation

Kleinwort, Benson

Moseley, Hallgarten, Estabrook & Weeden Inc.

The Nikko Securities Co.

Pittfield, Mackay & Co., Inc.

Tucker, Anthony & R. L. Day, Inc.

New Japan Securities International Inc.

Goldman, Sachs & Co.

Merrill Lynch White Weld Capital Markets Group

Bear, Stearns & Co.

Dillon, Read & Co. Inc.

Drexel Burnham Lambert

Shearson Loeb Rhoades Inc.

Wood Gundy Incorporated

Wertheim & Co., Inc

Companies
and Markets

INTL. COMPANIES & FINANCE

UNITECH

Continued growth

SALES

In the year ended 31st May 1980:

PROFITS

Sales were up 56% at £71.8 million
Pre-tax profits increased 48% to £5.2 million
Total dividend is increased 22% to 6.09p per share
Exports and overseas sales accounted for 42% of total sales
Two rights issues raised a total of £7.7 million
Two major overseas acquisitions were made: Alfred Neye Enatechnik in Germany Comatel S.A. in France
Net assets increased 91% to £19.6 million.

"Although the current year has started well with demand for the first two months ahead of the last year, current conditions in the electronics industry are more difficult than a year ago. While your Board still expects to report another year of progress, the rate of increase is likely to be considerably less than it has been for the past few years."

P.A.M. Curry, Chairman.

UNITECH LIMITED

A group of companies principally engaged in marketing and manufacturing electronic components and equipment.

If you would like a copy of the Annual Report please write to The Secretary, Unitech Limited, Phoenix House, Station Hill, Reading RG1 1NP.

ANI sees further rise after record year

By James Ford in Sydney

AUSTRALIAN National Industries (ANI), the engineering group, has raised its dividend after lifting earnings in the year to June by 15 per cent, from A\$17.5m to a record A\$20.2m (US\$23.7m). The result represents the group's thirteenth successive profit increase and the directors are budgeting for another gain in the current year. The dividend is increased from 11.7 cents a share to 12.6 cents, and is well covered by earnings a share up from 36.2 cents to 40.5 cents. Total sales were 10 per cent higher at A\$455.1m.

Tax absorbs A\$9.94m, compared with A\$9.54m in 1978-79, and represents 33 per cent of pre-tax profits rather than the standard Australian company tax rate of 46 per cent. The difference is mainly because of the benefits from investment allowances in Australia and the U.S. lower tax rates in some overseas countries, and the recouping of past tax losses.

The directors say that profits of the steelmark division and the overseas subsidiaries were substantially higher. Increased returns also came from Coates Hire Service, ANI Perkins, and the groups associated companies. Results from the metal forming divisions were in line with the results achieved last year. As expected, ANI Sargeants produced a slightly lower result than in the exceptional 1978-79 year, and the return from Capitol Motors was also down slightly. Both of these operations had better performances in the second half of the year than in the first six months.

Net assets per 30 cent ordinary share stood at A\$2.25 at end June.

Fokker confirms sharp recovery in profits

By Charles Batchelor in Amsterdam

FOKKER, the Dutch aerospace group, has confirmed that profits this year will recover sharply. For the first six months net profits are F14.5m (\$2.5m), in line with the level of earnings achieved for the whole of 1979. The company did not produce half-year figures for 1979. Operating profits up to June this year were F15.8m and tax amounted to F13m. Sales totalled F146.6m, compared to F156.5m for 1979 as a whole.

Fokker hinted earlier this year that it would make a net profit of between F10m and F15m for 1980. The first half improvement was due to the favourable ratio between costs and the sale price of new aircraft, it said yesterday.

The company noted that the industry in general was facing a downturn in new orders as the airlines felt the effect of higher fuel prices, the continuing fares battle on longer routes and a limited decline in some markets.

The large orders placed in recent years and the long delivery times of new aircraft have also depressed demand. The sector in which Fokker operates, short to medium-haul aircraft, had yet to be affected.

Fokker sold 16 turbo-prop F27s in the first half of the year, the same number as in the first six months of 1979 but raised sales of the jet F28.

The company continues to push ahead with the development of the F-29 jet which it hopes to start selling in the mid-1980s. The Dutch Government has provided finance to take the company up to the F-29 project definition stage by mid-1981. The aircraft's specifications have been further improved, with an increase of 5 per cent fuel economy, while contacts with potential customers have been "positive".

Fokker has made investment commitments totalling F1 60m in 1980, though not all of the money will be spent this year. The company increased its workforce by 507 to 3,442 in the first half of the year.

Dutch plan accounting changes

By Our Amsterdam Correspondent

MANY MORE of the Netherlands' 150,000 private limited liability companies—BVs—will be required to publish detailed accounts under legislation which is now being prepared.

A draft bill submitted to Parliament by Dr. Jacob de Ruiter the Justice Minister, will also set more detailed requirements for the accounting by public limited liability companies—NVs.

The bill is the Dutch response to the fourth EEC directive on company law which is aimed at harmonising reporting standards throughout Europe. The Netherlands is already preparing two draft bills intended to tighten controls on private limited liability companies.

One bill will make main contractors responsible for subcontractors. Building industry frauds by subcontractors and middlemen have prevented the payment of large sums to the tax authorities and social security agencies in recent years.

A bill is also being prepared which would make managers of both private and ordinary limited liability companies personally responsible for debts run up by their companies. A worrying number of bankruptcies—of BVs in particular—are known to be deliberate attempts to avoid payments to suppliers or to the tax or social security authorities.

The latest draft bill will require private limited liability companies and co-operative associations to publish accounts unless they fulfil at least two of three conditions. These are: That their assets are less than F1 3m (\$1.5m), net turnover is less than F1 6m and they employ fewer than 50 people.

Smaller companies and co-operatives will be required to file abbreviated accounts. All companies will in future have to provide more details of their assets and of subsidiaries in which they own 20 per cent or more. They will also have to provide a geographical breakdown of sales and report the size of their workforce. Rules covering the valuation of assets have also been expanded.

Swiss Volksbank, Switzerland's fourth largest bank, plans to raise SwFr112m (\$70m) through an issue of non-voting participation certificates. The bank intends to issue 1m certificates with a nominal value of SwFr 50. Of these, 750,000 will be offered by way of a rights issue to existing holders on a one-for-one basis at SwFr 95 each. The remaining 250,000 certificates will be available for free subscription at SwFr 185 each. Both transactions will take place between October 21 and November 4.

Volksbank, which has the legal form of a co-operative, has hitherto issued only so-called "co-operative shares," common stock with normal bonus listings. The need to expand the stock base over the present SwFr 375m capital arises from a sharp expansion in business. A substantially higher equity ratio "has become necessary."

Balance sheet total has risen from SwFr 15.21bn to SwFr 18.96bn (\$10.4bn) during the first six months of 1980. A rights issue is also proposed by Banca Della Svizzera Italiana, which is to raise SwFr54m through a one-for-one offering in bearer and registered shares.

The Lugano bank, which intends to apply for stock-exchange listing before the end of this year, booked a 24 per cent rise in balance-sheet total over the six months to mid-1980 to some SwFr 34bn (\$2.2bn). Earnings were up and on growth target in almost all spheres of activity. After the rights issue, total capital resources will be of SwFr 308m.

Major rights from Volksbank

By John Wicks in Zurich

SWISS VOLKSBANK, Switzerland's fourth largest bank, plans to raise SwFr112m (\$70m) through an issue of non-voting participation certificates. The bank intends to issue 1m certificates with a nominal value of SwFr 50. Of these, 750,000 will be offered by way of a rights issue to existing holders on a one-for-one basis at SwFr 95 each. The remaining 250,000 certificates will be available for free subscription at SwFr 185 each. Both transactions will take place between October 21 and November 4.

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Braithwaite & Co. Engineers Limited

Bridge and Constructional Engineers
Pressed Steel Tank Manufacturers

Extract from the statement of Mr J.A. Humphries (Chairman)

An increased Trading Profit of £976,627 achieved despite the effects of three major strikes and economic recession.

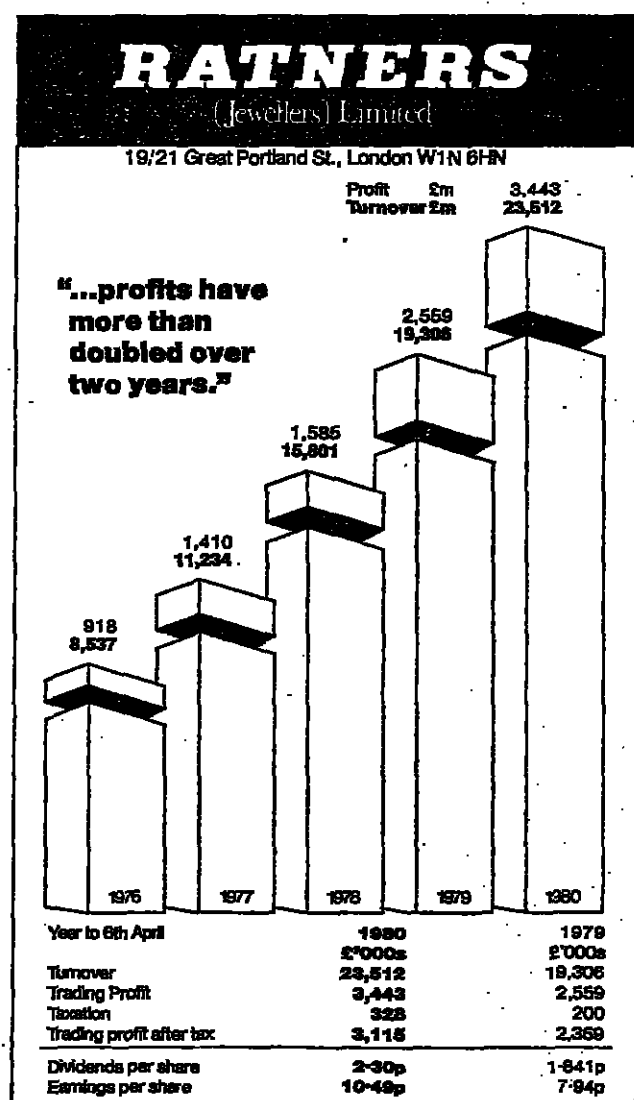
Further capital expenditure at Newport Works to improve facilities for structural steelwork.

Sales and production at Plastic Recycling Ltd more than doubled.

Dividend increased substantially to a total of 7p per share for the year.

	1980	1979
Turnover	£8,793,000	£10,466,000
Profit before Tax	976,627	526,712
Profit after Tax	482,627	291,212
Earnings per share	17.6p	10.5p
Dividend	7p	4.87p

The Secretary, Braithwaite & Co. Engineers Limited,
59 Church Road, Great Bookham, Leatherhead, Surrey KT23 3JJ.



NOVO INDUSTRIAS

NOTICE TO THE HOLDERS OF THE 7 PER CENT CONVERTIBLE BONDS 1989

At an extraordinary general meeting of the company held on 18th September, 1980 the shareholders approved an increase in the share capital of the company by D.Kr. 85,590,000 to D.Kr. 370,890,400 by the issue of new "A" and "B" shares by way of right to existing shareholders.

As a result of the above meeting and in accordance with Condition 5 of the bonds, the conversion price for the above bonds, as defined, is adjusted to

D.Kr.228

This conversion price applies to bonds delivered for conversion with effect from 28th August, 1980.

September 18th, 1980

THE BOARD OF DIRECTORS OF
NOVO INDUSTRIAS



— the small offset printing machine manufacturer and supplier of reprographic equipment and consumable supplies.

RESULTS FOR THE YEAR ENDED 29TH MARCH, 1980.

	1979/80	1978/79
Sales—U.K.	£10,746,000	£9,875,000
—Overseas (including direct exports)	£4,632,000	£4,432,000
Trading Profit	£615,000	£906,000
Profit after tax and interest	£107,000	£452,000
Extraordinary expense items	£93,000	£45,000
Net Profit	£14,000	£407,000

Chairman Geoffrey Nichols states that: "1979/80 was probably the most difficult year in the Company's history and having regard to the results and the continuing difficult conditions, the Board does not feel justified in recommending any final dividend. Measures are being taken which will result in Rotaprint becoming a more streamlined organisation from which growth will be possible."

"Consumable supplies business is a bright spot with volume and margins being maintained in spite of highly competitive conditions." "High interest rates and general cost inflation in the U.K. must be brought down to levels where manufacturing industry can compete worldwide and on this worldwide basis there must be an economic improvement which will give international trade moving again."

A.G.M. 19th September 1980 at 12.00 noon at Rotaprint House, Honeyput Lane, London, NW9 9RE.

U.S. \$25,000,000

BANCA SERFIN, S.A.

(A private banking institution incorporated in the United Mexican States with limited liability)



Floating Rate Capital Notes Due 1986

The following have agreed to subscribe or procure subscribers for the Notes:

Credit Suisse First Boston Limited

Bank of America International Limited

Bank Brussel Lambert N.V.

Banque Nationale de Paris

Citicorp International Bank Limited

Dresdner Bank Aktiengesellschaft

European Banking Company Limited

Lloyds Bank International Limited

Sumitomo Finance International

Yamaichi International (Europe) Limited

The issue price of the Notes is 100 per cent. The Notes have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the Notes.

Interest is payable semi-annually in April and October, the first payment being made in April 1981.

Full particulars of Banca Serfin, S.A. and the Notes are available in the External Statistical Service and may be obtained during usual business hours up to and including 3rd October, 1980 from the brokers to the issue:

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

19th September, 1980

WORLD STOCK MARKETS

NEW YORK

Stock Sept. 17 Sept. 18

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Wall St. mixed at mid-session

AFTER FURTHER advancing at the opening yesterday, Wall Street stocks receded on profit-taking to make a rather mixed showing at mid-session after extremely heavy early trading.

The Dow Jones Industrial Average was a net 0.55 off at 960.41 at noon, after rising to 967.49 at 11 am. All Common Index was unchanged at 374.57, after reaching a record 374.57, while gains retained only a small lead over declines at mid-session. Turnover (including futures) was 1.23 billion shares from Wednesday's mid-day level of 32.35m.

Analysts said stocks were initially continuing to be propelled by the influx of money into the market, but profit-taking later set in. They said investors are shying off the Saudi Arabian oil price increase because of the risk of a rise in oil prices, and the rise will only add about 1 cent per gallon to the price of petrol.

Schlumberger lost 2 1/2 to \$149. The company has agreed to buy the Texas Instruments Data Systems for about \$190m in stock.

Pillsbury picked up 1 1/2 to 94 1/2 after reporting higher first-quarter earnings and predicting higher net for the year.

Procter & Gamble receded 1 1/2 to 37 1/2. Actively-traded IBM dipped 1 1/2 to 167 on volume of 724,000 shares, including a block of 340,000.

THE AMERICAN SE Market Value index was down a net 0.15 at 343.14 at noon after an early 2.90 rise. Volume 4.63m shares (4.02m).

Dome Petroleum shed 2 1/2 to \$68 1/2, after the overnight Wall Street upsurge. Bourse prices declined and the market stayed quiet with an easier appearance on balance until news of the Bundesbank's surprise decision to raise the Lombard rate to 9 per cent from a previous 9.5 per cent.

Canada

Market in Canada was also mixed after an active morning session. The Toronto Composite Index rose 3.3 to 2,339.9 at midday, while Golds lost 35.2 to 200.

Closing prices for North America were not available for this edition.

Germany

After an early buying spree, spurred by the overnight Wall Street upsurge, Bourse prices declined and the market stayed quiet with an easier appearance on balance until news of the Bundesbank's surprise decision to raise the Lombard rate to 9 per cent from a previous 9.5 per cent.

Stock prices were sharply higher in the first session of the new monthly Account, with trading heavy as a result of speculative activity and investment orders. The Banca Commerciale Italiana index rose 4.31 to 134.33, a new 1980 high of 134.33.

Demand was focused on the large Industrials and on issues

of the Invest Group, which includes Enel Immobiliare, Mirafiori and Saffa.

In the industrial sector, Fiat climbed 1,100 to 12,190 on rumours that next Tuesday's board meeting might decide on a 150,000 capital increase.

Australia

Markets staged a fresh advance, partly fuelled by some strong buying by UK investors, but closed below the day's best. The Sydney All Ordinaries index gained 7.14 to set a new closing record peak of 994.62. The Metals and Minerals index put on 64.41 to 6,570.16.

The higher London Bullion price for gold, after the recent upsurge, lost 15 cents to \$352.50. A shortage of first-class scrip in London was a booster for stocks like MIM, CRA, Utah, Boulderville and BHP.

With the end of Asarco takeover rumour, the price on the strength of its silver interests once again, as was Aberfoyle. MIM closed at \$36.00 for 10 cents gain, while Aberfoyle moved up 30 cents to \$38.10. Boulderville put on 10 cents to \$2.50, CRU 6 cents to \$36.45. Coal issue Utah 14 cents to \$35.70 and North Broken BM 10 cents to \$42.20.

Johannesburg

Gold closed mixed to easier after fairly low volume. Heavyweights were around 50 cents lower, while Mediums and Lightweights mainly shed between 10 to 50 cents, but some issues staged gains of up to 50 cents.

Mining Financials and Platinums also drifted easier.

CANADA

Stock Sept. 17 Sept. 18

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Alcan 44 1/2

Alcan Steel 44 1/2

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Stock Sept. 17 Sept. 18

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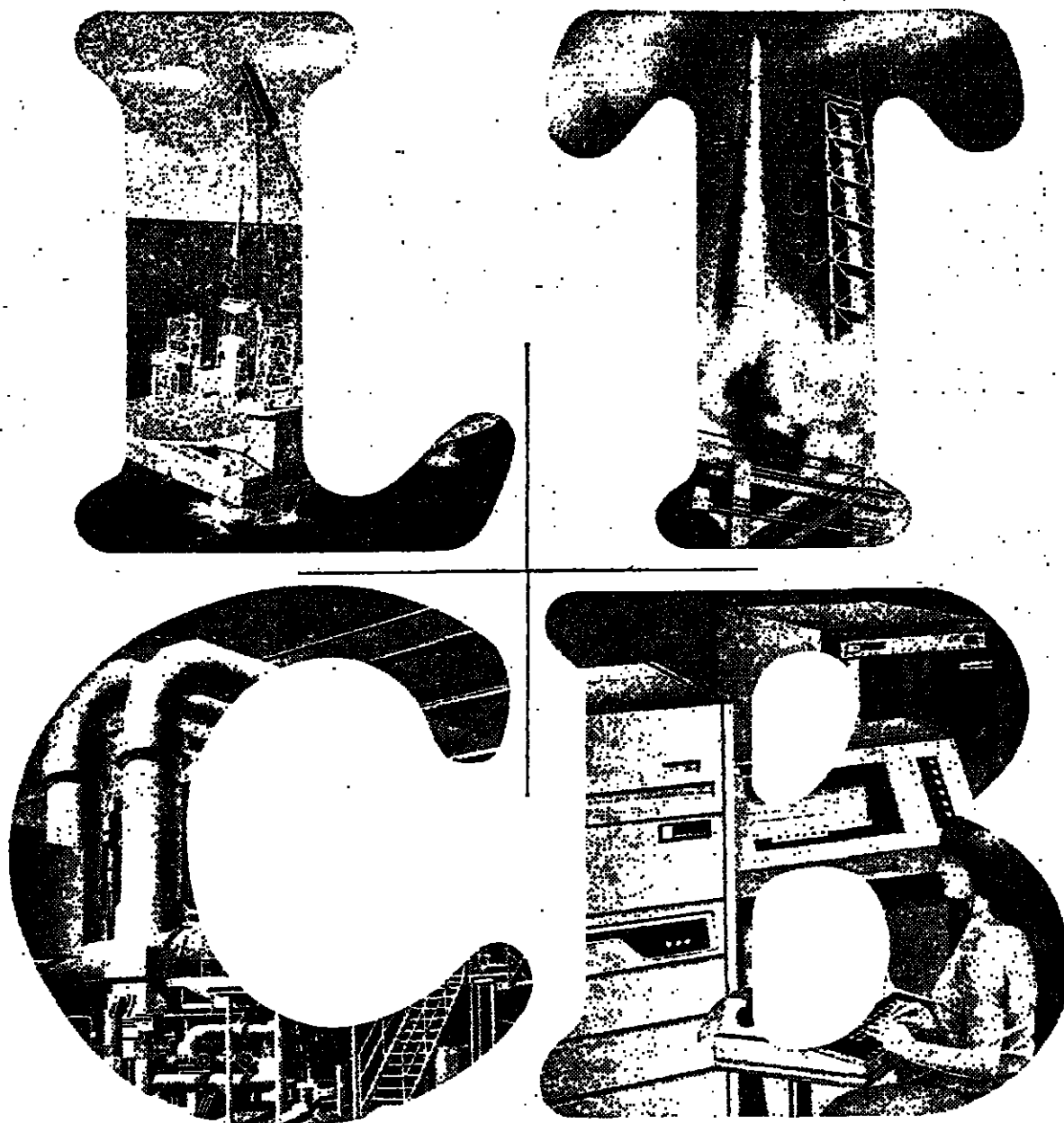
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WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 17, 1980. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (Q)	44.00	Greenland	Denish Krone	5.30	Papua N.G.	Kina	0.6538
Albania	Lek	4.2351	Grenada	E. Caribbean \$	2.7028	Paraguay	Guarani	137.30
Algeria	Dinar	3.8325	Guadeloupe	Local Franc	4.1405	Peru	Sol	0.3415
Andorra	Spanish Peseta	79.335	Guam	U.S. \$	1.00	Philippines	Ph. Peso	7.5745
Angola	Kwanza	27.527	Guatemala	Quetzal	1.00	Romania	Lei	1.0134
Anguilla	E. Caribbean \$	2.7028	Guinea Bissau	Peso	35.249	Poland	Zloty (Q)	21.00
Argentina	Argentine Peso	1816.50	Guinea Republic	Sylli	18.5337	Portugal	Port. Escudo	48.57
Australia	Australian \$	0.6548	Guyana	Guyanese \$	2.5768	Port. Timor	Timor Escudo	2.00
Austria	Schilling	13.76	Haiti	Gourde	5.00	Puerto Rico	U.S. \$	1.00
Azores	Portug. Escudo	49.67	Honduras Repub.	Lempira	2.00	Qatar	Qatar Ryal	3.678
Bahamas	Bahamian \$	1.00	Hong Kong	H.K. \$	2.8385	Reunion Ile de la	French Franc	4.1405
Bahrain	Dinar	0.3778	Hungary	Forint (Q)	35.5082	Romania	Lei	1.0134
Banar	Spanish Peseta	79.335	Iceland	I. Krona	512.50	Rwanda	Rwanda Franc	25.86
Barbados	Barbados \$	2.01	India	Ind. Rupee	7.72	St. Christopher	E. Caribbean \$	2.7028
Belgium	B. Franc (F)	28.815	Indonesia	Rupiah	625.00	St. Helena	Pound	2.3005
Belize	Belize \$	2.01	Iran	Rial	0.2955	St. Lucia	E. Caribbean \$	2.7028
Bermuda	Bda \$	1.00	Iraq	Iraqi Dinar	2.1175	St. Pierre	E. Caribbean \$	2.7028
Bhutan	Indian Rupee	207.035	Israel	Israeli Pound (Q)	848.15	St. Vincent	E. Caribbean \$	2.7028
Bolivia	Bolivian Peso	25.00	Italy	Lira	207.035	Samoa American	U.S. \$	1.00
Botswana	Pula	0.7808	Ivory Coast	C.F.A. Franc	207.035	San Marino	Italian Lira	848.15
Brazil	Cruzado	66.64	Jamaica	Jamaican Dollar	1.7958	Saudi Arabia	Saudi Ryal	2.3198
Brit. Virgin Isles	U.S. \$	1.00	Japan	Yen	211.47	Senegal	C.F.A. Franc	207.035
Bulgaria	Bunel \$	2.114	Jordan	Jordan Dinar	0.391	Seychelles	S. Rupee	0.8566
Burkina Faso	C.F.A. Franc	207.035	Kampuchea	Riel	n.a.	Singapore	Singapore \$	2.114
Burundi	Burundi Franc	90.00	Kenya	Kenya Shilling	7.2997	Sierra Leone	Sierra Leone \$	0.8566
Cambodia	Riel	207.035	Korea (Nth.)	Won	0.94	Somalia	Som. Shilling	6.0241
Cameroon Repub.	C.F.A. Franc	207.035	Korea (Sth.)	Won	804.00	South Africa	Rand	0.7539
Canada	Canadian \$	1.1558	Kuwait	Kuwait Dinar	0.8072	Spain	Peseta	79.335
Canary Islands	Spanish Peseta	79.335	Lao P'ole D. Rep.	Kip of Lib.	16.00	Spanish Port in	Sp. Peseta	79.335
Cape Verde Is.	Cape V. Escudo	36.51	Lebanon	Lebanese Pound	15.00	Taiwan	New Taiwan (Q)	36.00
Cayman Islands	Cay. Is. \$	0.855	Libania	Libanian \$	0.7558	Tanzania	Tan Shilling	8.1998
Cent. Af. Rep.	C.F.A. Franc	207.035	Liberia	Lib. Dollar	1.00	Thailand	Baht	20.80
Chad	C.F.A. Franc	207.035	Libya	Libyan Dinar	0.2961	Togo Repub.	C.F.A. Franc	207.035
Chile	Chilean Peso (Q)	25.00	Lichtenst.	Swiss Franc	1.6305	Tonga	Pa'anga	0.8549
China	Renminbi Yuan	1.4807	Luxembourg	Lux Franc	28.57	Trinidad & Tob.	Trin. & Tob. \$	2.4033
Colombia	Col. Peso (Q)	47.70	Madagascar	Malagasy Franc	207.035	Tunisia	Tunisian Dinar	207.035
Comoros Islands	C.F.A. Franc	207.035	Madagascar D. R.	Malagasy Franc	207.035	Turkey	Lira	80.00
Congo Brazzaville	C.F.A. Franc	207.035	Malawi	Malawi Shilling	4.1405	Turkic & Caicos	U.S. \$	1.00
Costa Rica	Colon	8.57	Malaysia	Ringgit	3.21	Tuvalu	Australian \$	0.6548
Cuba	Cuban Peso	0.707	Maldives Islands	Mal. Rupee	3.21	Uganda	Ug. Shilling	7.2997
Cyprus	Cyprus Pound	0.2515	Mali	West. African C.F.A. Franc	207.035	United Arab Em.	U.A.E. Dirham	3.68
Czechoslovakia	Koruna (Q)	54.1958	Malta	Maltese Pound	0.3428	United Kingdom	£ Sterling	2.3906
Dem. Rep. Congo	C.F.A. Franc	207.035	Martinique	Local Franc	4.1405	Upper Volta	C.F.A. Franc	207.035
Denmark	Denish Krone	5.30	Mauritania	Ouguiya	7.5566	Uruguay	Urug. Peso	0.35
Djibouti Rep. of	Djibouti Franc	175.277	Mauritius	M. Rupee	22.95	U.S.S.R.	Rouble	0.643
Dominica	E. Caribbean \$	2.7028	Mexico	Mexican Peso	22.95	Vanuatu	Vanuatu \$	0.8549
Dominican Repub.	Dominican Peso	1.00	Micronesia	French Franc	4.1405	Venezuela	Italian Lira	848.15
Ecuador	Sucre	28.10	Monaco	French Franc	4.1405	Vietnam N.	Dong (Q)	2.19
Egypt	Pound (Q)	0.69	Mongolia	Tugrik (Q)	3.5555	Virgin Islands U.S.	U.S. \$	1.00
El Salvador	Colon	2.50	Montenegro	E. Caribbean \$	2.7028	Western Samoa	Samoa Tala	0.8795
Equatorial Guinea	Ekuale	73.555	Mozambique	Moz. Escudo	28.3504	Yemen	Rial	4.57
Ethiopia	Birr (Q)	2.0855	Namibia	Rand	0.7558	Yugoslavia	New Y. Dinar	27.55
Faroe Islands	Denish Krone	5.30	Nauru Is.	Aust. \$	0.8549	Zaire Republic	Zaire Zaire	1.9788
Falkland Islands	Falkland Is. \$	2.3905	Nepal	Nepalese Rupee	12.00	Zambia	Kwacha	0.714
Fiji Islands	Fiji \$	0.8061	Netherlands	Dutch Guilder	1.5265	Zimbabwe	Zim \$	0.6935
Finland	Markka	5.636	Netherlands Antilles	Antillian Gild	1.00			
France	French Franc	4.1405	New Zealand	NZ \$	1.0134			
French City in Af.	C.F.A. Franc	207.035	Nicaragua	Corcoba	10.00			
French Guiana	Local Franc	4.1405	Niger Republic	C.F.A. Franc	207.035			
French Pacific Is.	C.F.P. Franc	75.6348	Nigeria	Naira (Q)	0.5443			
Gabon	C.F.A. Franc	207.035	Norway	Norw. Krone	4.819			
Gambia	Dalasi	1.6733	Oman, Sultanate of	Rial Omani	0.3456			
Germany East	Ostmark (Q)	1.7812	Pakistan	Pak. Rupee	9.81			
Germany West	Deutschmark	1.7812	Panama	Balboa	1.00			
Ghana	Cedi	2.75						
Gibraltar	Pound	2.3905						
Gilbert Is.	Kiribati	0.8546						
Greece	Drachma	42.475						

n.a. Not available. * U.S. dollars per National Currency unit. (Q) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries.
(4) Israel Government are changing their currency to Shekels. However dealers are currently quoting in pounds.
(5) New Hebrides Independence 30/7/80 now named Vanuatu.

14 ways to bridge the Property gap

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...a bridge to property worldwide.

Friday September 19, 1980

Georgia

In a region of the U.S. where every State claims to be booming, Georgia is doing better than most. Furthermore, its role as the communications hub of the south-east was underlined by the opening in Atlanta, yesterday, of what is said to be the world's largest air passenger terminal.

State's symbols of success

By David Lascelles

GEORGIA, FAMED abroad for its White House incumbent, peanuts, and Scarlett O'Hara, presents a somewhat different image from the millions who actually go there for business or pleasure, or simply to change planes (which is what thousands have to do every day, whether they like it or not).

Today, Georgia prefers to be known for its booming economy, its concern for peaceful race relations in a region still liable to explode in rioting, and its growing international links. Eschewing the peanut connection, Georgia also prefers to

be known as "The Peachtree State", a name which evokes both its gentle countryside and the bustle of Peachtree Street in Atlanta, its capital, where concrete and glass towers have come to symbolise Georgia's new place in the world.

Rich though Georgia's past may be, most of the talk these days in government halls, corporate suites and out in the mushrooming suburbs, is about where Georgia goes next: who is building what, which company is planning to move in—all conducted in tones made famous by President Jimmy Carter, a drawl that transforms a phrase like the City of Atlanta into the *siddy of Adlanna*.

Inevitably, the link with the Carter administration is strong. The State Governor, George Busbee, is a Carter Democrat, and the White House is heavily staffed with Georgians. But Georgia makes little of this in its everyday discourses. If anything, prominent businessmen and politicians try to dispel the idea that their State has enjoyed any special favours.

"The best thing President Carter did for us was tourism," commented one of them, referring to the millions of curious sightseers who have made the

pilgrimage to Plains in the last few years. Others add that much of the good Mr. Carter did for Georgia by putting it on the map was undone by other prominent Georgians, such as Bert Lance and Billy Carter. Mr. Carter is also wary of the charge of favouritism, judging by his acquiescence to proposals to end Federal subsidies for the hard-pressed peanut industry.

Philosophy

Underneath it all, one suspects that Georgia shares the American philosophy that all publicity is good publicity, particularly if it brings in business, which it has on an unprecedented scale.

In a region where every State claims to be booming, Georgia is doing better than most. It may not oil and gas, but then it has no oil and gas. And if the pace has been slower than Florida's, Georgia does not—for the time being, at any rate—aspire to being a major tourist resort, nor is it yet as well-equipped as Miami for the hurly-burly of international trade and finance.

But Georgia compares favourably with other nearby States,

such as the Carolinas, Alabama and Mississippi, many of which are still hobbled by old-fashioned industries, and none of which have been able to match Georgia's role as the communications hub of the south-east, a role which is underlined by yesterday's opening of the huge new terminal at Atlanta Airport, one of the largest in the world.

Harmony is a word one hears a lot, whether to describe the common aspirations of business and Government, or relations between Whites and Blacks, who make up half of Atlanta's population. It may be over-used, but it comes as a jolt to hear it at all in a country where most of the talk is about social tensions, industrial decline, and the gap between government and governed.

Modern-day Georgia is still sufficiently young for its various constituencies to have common goals. The economic boom owes a lot to the consensus between business and the State capital on the need for as much investment and as little government as possible.

This consensus, which goes back several governorships and has become something of a tradition, is being fostered by Gov. Busbee, a lean and active poli-

tician who spends much of his time winging around the world, wooing investment. He claims to have raised about \$1.5bn abroad, and considerably more at home. Apart from drinks and tobacco, Georgia has not increased any important tax rates for 20 years, another matter of some pride in the State capital.

Down at the port of Savannah, the trade volume is among the fastest-growing in the U.S., an indication of Georgia's increasing links with points beyond its borders. About 450 foreign enterprises have set up offices or industrial facilities in Georgia, and a lot of farmland has passed under foreign control—something that alarms local farmers, though Gov. Busbee has managed to head off demands for an outright ban on foreign ownership along the lines of recent legislation passed in Oklahoma.

The economic going has not always been smooth, though. Georgia got carried away by the early 1970s, and came a heavy cropper in the last recession, mainly because the construction industry was badly over-extended. It has been careful not to repeat the mistake this time round.

But even as the fruits of

prosperity piled up, the call was made for a fairer distribution between Black and White. Although Atlanta features a relatively prosperous Black suburb, there was still a strong enough wave of discontent early in the 1970s to sweep to power the city's first Black mayor, Maynard Jackson, who is now approaching the end of his second—and last—term.

Minorities

Mayor Jackson claims flatly: "We have the best race relations of any major city in America." But he has actively practised what he calls "the politics of inclusion" to draw minorities into public affairs.

"Previously, there were only two chairs at the table of Government, the city and big business. Now we have the minorities, women, the senior citizens and others, too."

He has also channelled more business "the Blacks' way, particularly contracts for the new airport. This has irritated the local business community, but Mayor Jackson insists that what he is doing is truly practical and also morally right.

At the same time, City Hall has been trying to repair the

damage to its image wrought by a serious and much-publicised crime wave which hit Atlanta over the past couple of years and threatened to kill the lucrative convention business. The City and State Governments launched a joint offensive which has reduced the violence and choked the jails.

"Be a crime fighter, not a statistic," urges a large sign at the entrance to City Hall, where security experts offer advice on crime prevention.

But the crime scare is one of the few blots on a landscape that looks remarkably healthy, even by sunbelt standards. In a State that extends from the Appalachian Hills down to the elegant period streets of Savannah, there is a striking sense of purpose which is bringing prosperity and, as yet, relatively few of the problems that clutter life further to the north. Atlanta may eventually find itself "the hole in the doughnut" as business and people move out to the suburbs, although a brand new rapid transit system (itself touted as an example of how well Georgia can cope), should help check that tendency.

The economy is also vulnerable to decisions taken in boardrooms thousands of miles from

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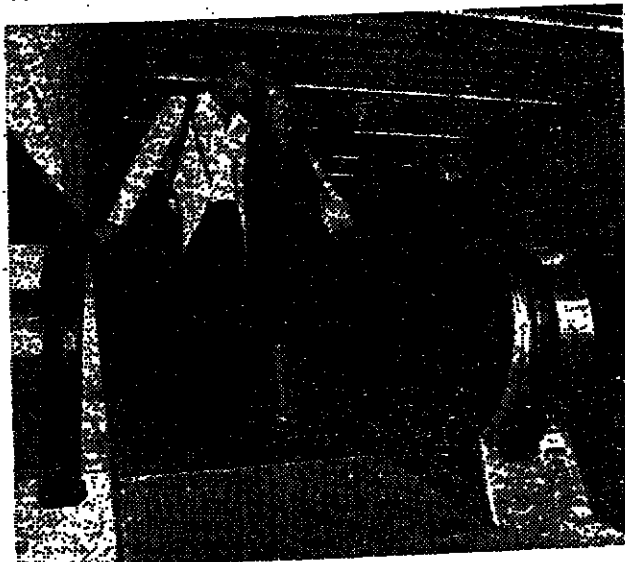
its borders. On the other hand, some corporations have been sufficiently impressed to move their headquarters to the State—probably as good a recommendation as anyone could wish for.

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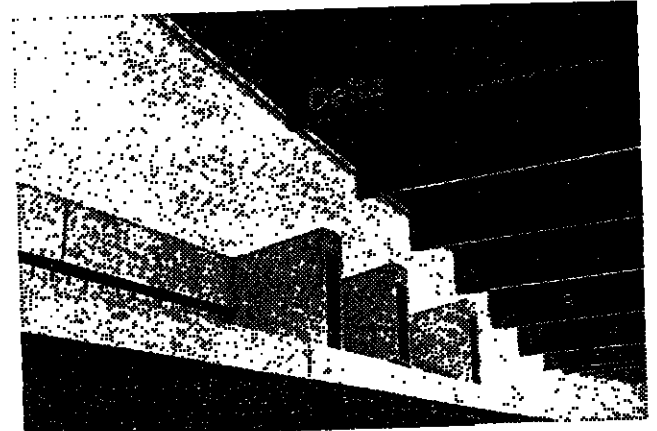


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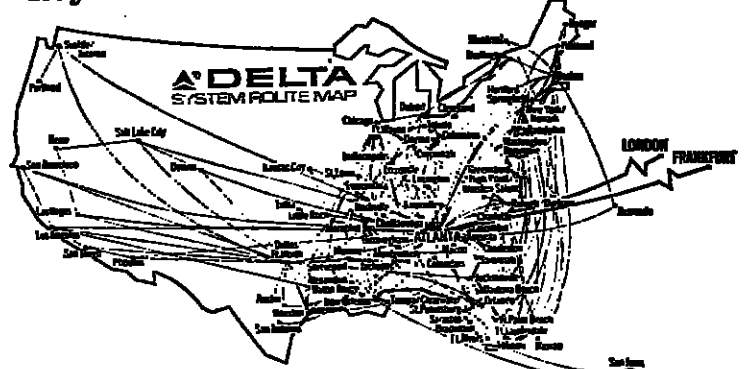
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GEORGIA II

Atlanta shows few signs of recession

GEORGIA has not been immune to the recession which has swept the U.S. this summer, but it has certainly not suffered as badly as some of the older industrialised states in the north and east. Indeed, the decline has been somewhat more shallow and unemployment more mild than the national average.

Strolling through downtown Atlanta, with its busy construction sites and gleaming office blocks, one would be hard put to imagine there was a recession at all. A stroll through the centre of Dalton, 100 miles to the north-west, might tell a different story: the "carpet capital of the world" has borne the brunt of the slump in home-building, and is anxiously awaiting the recovery.

Georgia skirted the worst of the recession, thanks partly to the dynamism it developed over the past 10-20 years, an era in which it rode the sunbelt boom as money and people deserted the chilly, decaying north for the warmth and open spaces of the south. But it also owes something to the State's economic profile: its relative lack of dependence on cyclical industries such as steel, durable goods and cars, and the strength of its service sector, mainly communications.

Employment growth, one of the main economic yardsticks used in the State, was well above the national average in the 1970s: 3.5 per cent a year in the non-farm sector, against 2.5 per cent, nationally. In the south-east economic grouping to which it belongs, Georgia's performance is middling, behind booming Florida, on a par with the Carolinas, but ahead of Alabama and Mississippi, both of which are more closely linked to heavy industry.

Georgia was historically a farming state. But it traces its present-day prosperity to its geographical location which made it an important crossroads. Highways, railways, and now airlines have all found it a useful interchange.

Apart from spawning an

GEORGIA'S GROSS STATE PRODUCT

	Comparison \$m. 1976 with 1972 figures	\$m.
Mining	309.4	116.9
Construction	2,013.3	1,250.5
Manufacturing	9,724	6,526.2
Trade	9,043.2	5,994.3
Transportation, Communication and Public Utilities	4,808.7	3,332.4
Finance, Insurance and Property	6,594.6	4,771.3
Services	5,567.2	3,503.6
Government	5,175.3	3,371.5
Farm	1,267.9	1,014.3
TOTAL	44,503.6	29,884.0

Source: Division of Research, College of Business Administration, University of Georgia.

important transport industry in its own right, this has more recently encouraged businesses to set up their regional headquarters in the State. Atlanta airport boasts departures that will transport travellers to every important U.S. business centre by 9 am, a claim which perhaps only New York can match.

Significant

The airport has just been expanded at a cost of \$1bn to make it capable of handling the largest volume of traffic of any airport in the U.S. The expansion is of enormous significance to the State because it guarantees Atlanta's role as the communications hub of the south-east. All the gates at the new terminal buildings were snapped up by eager airlines, three years before the scheduled opening date.

The airport will employ about 36,000 people, making it the largest civilian employer in the state. Significantly, the key airlines based at the airport are Delta and Eastern, currently

two of the country's more profitable airlines.

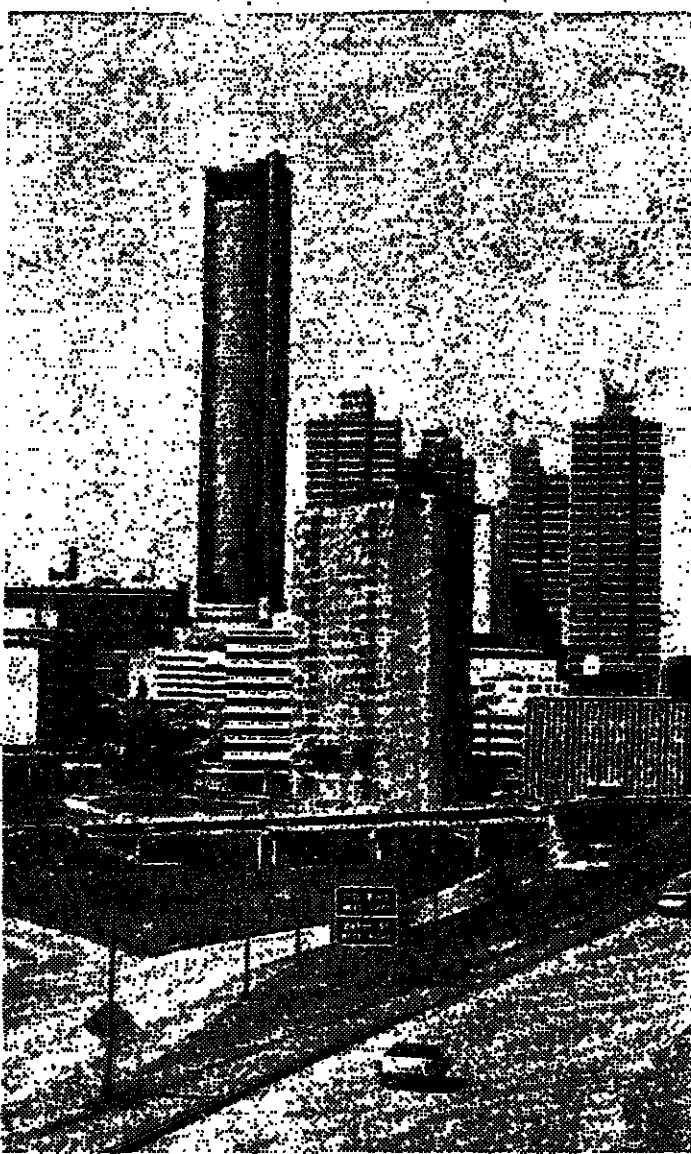
The state's fortunes have been aided by a series of administrations which attached a high priority to economic growth and job-creation. Local businessmen speak well of the state government. The Atlanta property developer, who gestured at the skyline outside his office window and said: "This place was built on a wave of idealism and hope," might be guilty of hyperbole. But one can see what he means.

The Governor, George Busbee, says his most important goal is increasing employment, and he has actively sought investment both from the U.S. and overseas. Georgia's department of industry and trade has offices in Belgium, Brazil, Canada and Japan. The ports authority also has representatives in Germany, Greece and Japan.

Among the attractions he can offer are stable taxes, a good communications infrastructure, a reasonable natural resource base (timber, water, manpower), and a right-to-work law — a euphemism for the virtual absence of trade unions. One of the few things Georgia lacks is a generous domestic energy supply, though it is situated quite close to the rich oil and gas states of Louisiana and Texas.

A key element in the state's fortunes in the past decade was the real estate business, which boomed and over-extended itself in the early years, only to go through a severe bust in the mid-1970s. But the bitter lesson of the 1974-75 recession was not wasted. Property speculation is much more circumspect these days, as indicated in an article on page four.

Compared to services and construction, industrial growth has been somewhat slower. Atlanta is far more notable for its "industrial parks," with their executive office blocks nestled in carefully landscaped woodland, than its factories and



The tower of the Peachtree Plaza—the tallest building in Georgia—dominates the Atlanta skyline.

assembly plants—though these exist. It is a white-collar, not a blue collar boom. This is something that bothers the Atlanta Mayor, Maynard Jackson, who has launched a job-creation programme of his own, aimed mainly at expanding medium-sized local businesses and giving "quick start" opportunities to the young and unskilled.

Car plants

Among the biggest industrial facilities are three car assembly plants on the outskirts of the State capital, two belonging to GM and one to Ford.

There is also a budding electronics industry. Elsewhere in the State is the Lockheed military and commercial aircraft plant at Marietta. But this once-major employer has reduced its workforce over the years from 30,000 to 12,000, today. Its future hangs largely on Government contracts. The relatively small role played by manufacturing in the local economy can be gauged by the fact that Atlanta airport is number two in the country for passenger traffic, but number 13 for freight.

Industry's small role probably explains why the recession was slow to reach Georgia. But it still took its toll. All three car plants have been on short time (the situation would have been worse were it not that much of the capacity is geared to producing the more popular small and medium-sized cars). And carpets have had a tough time, too.

The rise in unemployment lagged the national trend, though by late summer it was within half a point of the total U.S. figure of 7.7 per cent. The situation was aggravated somewhat by the severe drought which caused losses of \$1bn to agriculture, though Georgia escaped lightly, compared to the hard-hit States in the middle of the country.

The recovery will be helped to a large extent by the revival of the housing industry. Permits for new homes are rising fast. But on the manufacturing side the heavy out-of-State export orientation of much of Georgian industry means it will have to await the revival of demand elsewhere in the country, before those industries start progressing again.

David Lascelles

Political dichotomy of 'The Peachtree State'

IT HAS been said many times that Jimmy Carter's accession to the presidency, four years ago, marked the coming of age of the Deep South, politically—a symbolic re-admission to the mainstream of American Government of a region long ostracised and frowned upon.

That Mr. Carter should spring from the red clay country of Georgia was, in itself, symbolic, for there had been few other States in the old confederacy as intimately associated with social backwardness in its attitudes to race as the State which gave prominence to a long line of segregationists from Tom Watson to Lester Maddox. Even Georgia's most notable representatives in Washington, such as the late Senators Walter George and Richard Russell, had, whatever their achievements in the affairs of the nation, little interest in forging social change in their own backyards.

It is easy to ascribe too much significance to the role played by the former Governor Carter in the State's political and social evolution. His term as Governor, from 1970 to 1974, did accomplish much, but he was, in effect, presiding over changes that had been in the works before he assumed the State House. Georgia was not alone among Southern States in perceiving that its economic and political future lay in accepting the mandates of the great civil rights legislation of the 1950s and 1960s, pressing ahead and not looking back.

Classically, the state's political structure had always been marked by a dichotomy—between rural Georgia and Atlanta. The countryside looked with profound mistrust on the relative sophistication and modernity of its greatest city, and it was the countryside which tended to produce the State's political dynasties. It was, therefore, less surprising that Atlanta and its immediate environs should prove fertile ground for the new generation of able young black political leadership—most prominently Andrew Young, the former Congressman and Ambassador to the United Nations; Julian Bond, like Young, a civil rights leader and now State Senator; and Maynard Jackson, Mayor of Atlanta since 1974 and, for four years before that, Vice-Mayor.

But two of the State's most prominent politicians, Governor George Busbee, now two years into his second four-year term, and U.S. Senator Sam Nunn, in Washington since 1972, are both products of rural Georgia, with records that belie the traditions of the countryside.

Mr. Busbee is, oddly enough, no particular fan of his predecessor, Jimmy Carter, but the thrust of his Administration is similar to that pursued by President Carter. His premise is that the racial question is, in effect, settled and that the purpose of State Government should be to further economic development. The success of Georgia, economically, in recent years owes not a little to his leadership.

Sen. Nunn, whose political future at a national level seems exceedingly bright, has, like Senator Richard Russell, chosen defence as his area of expertise. His commitment to a strong American military position is very much in line with his Southern heritage, but he has impressed many with the vast knowledge about defence affairs he has acquired in the last eight years.

It is fair to say that he now ranks as the pre-eminent senatorial expert on his subject, whose considered judgment on such issues as strategic arms limitation can carry along a sizeable number of his colleagues.

But one political name indelibly tied to the past still survives, even if, it appears this year, only tenuously. This is U.S. Senator Herman Talmadge, son of the celebrated Eugene, one of

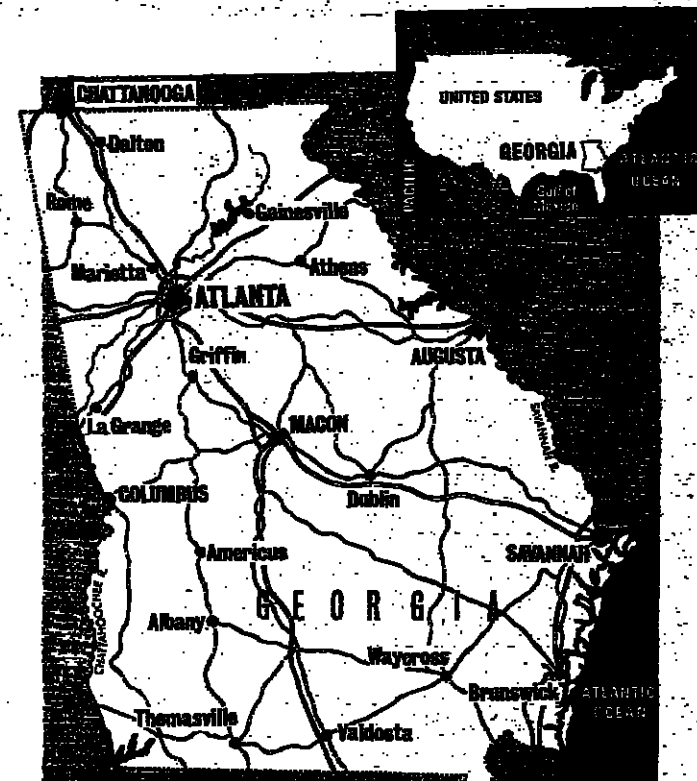
Georgia's great rural populists. A Senator since 1956 and State Governor for six years before that, Mr. Talmadge seemed an enduring fixture on the Washington scene—chairman of the powerful Agricultural Committee, number two on the Finance Committee and, as he demonstrated as a member of the Senate Watergate Investigation, possessed of an acute, questioning mind.

However, he has been touched by scandal in the last couple of years. Georgia, of course, remains essentially Democratic territory. Only one Republican represents the State in Washington, the bright young rising star, Mr. Newt Gingrich, who took over the seat held for years by Congressman John I. Flynt, a victim of the Watergate scandal.

But for all the talk of a conservative Republican renaissance in the South and for all the reality that Mr. Carter is not especially popular in his own home State, the President seems assured of the State's support in the presidential election in November.

After all, he was the symbolic leader of the South's (and Georgia's) re-emergence from the political "dark ages" and there is a fair amount of regional pride, discreetly voiced, that he has gone so far.

Jurek Martin



FURTHER INFORMATION

Details about business conditions in Georgia can be obtained from: Georgia Department of Industry and Trade, 1400 North Omni International, Box 1776, Atlanta, Georgia, 30301.

A guide to the legalities of foreign investment in the State is available, free of charge, from Hurt, Richardson, Garner, Todd and Cadenhead, at 11, Peachtree Center, Harris Tower, 233, Peachtree Street NE, Atlanta, Georgia, 30303.

Considerable strength in the financial community

THE HEART of the Georgia financial community is Five Points, a noisy and awkward road junction in central Atlanta, around which stand the tall and stately headquarters of Georgia's big banks: Citizens and Southern, Trust Company of Georgia, First National Bank of Atlanta, First Georgia Bank, Fulton Bank, and others.

But these are only the outward and visible signs of Georgia's banking community. Nestling away in plush, single-storey suites in the surrounding buildings are the local offices of no fewer than 14 foreign banks. And, at an even more discreet distance, lurk the local loan production offices of the big New York and Chicago banks.

It all adds up to a considerable banking presence, not only in terms of financial muscle, but also worldwide expertise. The bedrock, of course, is made up of the large Georgia banks: they are the only ones permitted under Georgian banking law to open branches and accept deposits. Retail operations are a major source of funds, and with the recent liberalisation of branching laws there is a new trend in expansion through acquisition.

The Georgia banks are, however, a somewhat more sober fraternity today than they were at the beginning of the last decade. The severe property crash brought about by the recession in 1974-75 found most of them badly exposed, and at least one, Citizens and Southern, was in deep trouble. In 1977, two years after the recovery had started, C and S was still in such bad shape that it reported its worst results ever.

Even today, bank books are not clear of bad loans. A group of five banks, led by Morgan Guaranty of New York, which financed the large but problem-plagued Omni complex in central Atlanta is still owed \$85m, and may end up owning the property unless the developers can stump up part of the money early next year. C and S, though, is on the road to recovery. After a big management shake-up in 1978, it turned in record earnings last year.

However, it was a salutary experience, and the banks have

been careful to avoid a repeat performance this time round: they have avoided over-exposing themselves to property. The property market has developed at a more orderly pace as a result.

The banks' recovery was aided by the tremendous corporate loan business engendered by the Georgian economic boom, and the regions' chronic shortage of capital. As one banker put it: "Georgia is not like Texas. Most of the capital has to come in from outside."

Apart from aiding the local banks, though, this thirst for capital, made Georgia an ideal stamping ground for foreign and out-of-state U.S. banks.

It was the former Governor, Jimmy Carter who first broached together legislation to allow in the foreign banks in 1972. But it proved too narrow, and was liberalised by Governor George Busbee in 1976 to allow foreigners to make loans.

The admission of foreign banks was supported by the local banks even though it was bound to sharpen competition for particular types of business. However, the local banks took the view that there was plenty for everyone, and that a growing international banking presence would actually enhance the Atlanta business scene.

Banking laws

Mr. David Mills, senior vice-president international at Trust Company of Georgia, said: "We figured that the foreign banks would bring in more than they could take away."

As State foreign banking laws go, the Georgian system is still comparatively restrictive compared to, say, Florida, New York or California. It does not allow foreign banks to open branches or take in deposits (except in special circumstances). It also debars them from trust operations. However, these are not onerous restrictions since they leave them free to pursue their main interest: corporate lending.

The first foreign bank to take advantage of the new law was Barclays Bank which opened its office in 1978. Its pioneering move was soon followed by 13 more banks from Britain, Belgium, Japan, Switzerland, Hol-

FOREIGN BANKS WITH OFFICES IN ATLANTA

Algemene Bank Nederland; The Bank of Nova Scotia; Barclays Bank International; Canadian Imperial Bank of Commerce; Commerzbank; Credit Suisse; Kredietbank; Lloyds Bank International; Swiss Bank Corporation.

The Toronto-Dominion Bank; Banca Nazionale del Lavoro; Banco de Brasil; The Bank of Tokyo; Union Bank of Bavaria.

land, Italy, Canada and Germany. And the surge is probably not yet over: the French are still absent, and it is quite possible that another half dozen large international banks will move in before long.

Some of the banks, like the Japanese, arrived on the coattails of their traditional corporate clients, and have stuck with them. But others saw Georgia as a new market, opening, and have gone aggressively after new business. The British and the Canadian banks are generally reckoned to have made the broadest advances.

Funding themselves largely out of New York, they use Georgia as a base for the eight or so States of the south-eastern U.S., which includes much of the fast-growing sunbelt. A busy calling schedule is the key to breaking into the market.

Mr. David Burke, who has run Barclays operation since it opened, says that his bank quickly achieved its growth targets and is now profitable. He estimates an office needs a loan portfolio of about \$50m, though others say they can manage on less.

Competition between the foreign and local banks has not been head-on. Although both sides speak warily about each other, it is nevertheless evident that there are plenty of ways they can work together advantageously. They might put together a secured loan for which the foreign bank supplies the funds, and the local bank the servicing (something a foreign bank would be unable to do, anyway).

Similarly, a foreign bank

might be able to supply an international service to complete a financing package for a local bank whose foreign expertise may be more limited. Foreign banks are also more willing to offer term loans than the local banks.

Ultimately, of course, no bank has exclusive customers: some local borrowers use many banks, and the big ones have no choice but to shop around once they run up against lending limits at their traditional bank.

Another considerable force in the market is the out-of-state U.S. Bank, Citibank of New York. First Chicago and others have loan production offices in or around Atlanta. These can be huge operations (Citibank has a staff of 80 in Georgia), but they keep a low profile to avoid antagonising the local community. Ironically, local banks seem to be on better terms with foreign banks than with other U.S. banks because they pose less of a threat.

Competition

Whether or not outside banks have enhanced Georgia's status as a financial centre, they have certainly been instrumental in bringing down the local cost of money. Lending at less than prime rates has become commonplace as banks compete for business. Not surprisingly, the newcomers have been the most aggressive: generally speaking the Georgian banks have been more reluctant to undercut the prime.

Having won their foothold in the market, though, the foreign banks are already chafing for more. Specifically, they want a new round of liberalisation in the banking regulations to enable them to take deposits locally and employ offshore funds. They have backed these requests with warnings that Miami and Houston already pose a threat to Georgia's financial status.

However, they may be disappointed. For one thing, the local banks feel things have gone far enough for the time being. For another, Gov. Busbee is firmly opposed to further deregulation, and the legislature is unlikely to take the political initiative on its own.

David Lascelles

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Or Mr. W. Milton Folds, Commissioner, Georgia Department of Industry & Trade, 1400 North Omni International, Atlanta, Georgia 30303. Telephone: 404/656-3556. Telex: 54-2586 GA INL AIL.



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Since 1886, when the citizens of Atlanta first dropped into a neighbourhood drugstore to experience a totally new kind of refreshment, Coca-Cola has grown to be the world's best known, and probably best loved, branded product. But a product which has the happy secret of uniting young and old, of bridging countries, cultures and continents, could not have been the success it is unless it were known to be an integral part of the local economy.

Most bottling plants for Coca-Cola throughout the world are financed, owned and managed by local people under a franchise agreement from The Coca-Cola Company.

The Coca-Cola Company invests: it provides the manpower, technology, experience and expertise to give help to local bottlers and their many local suppliers in technical matters, engineering, quality control, training, distribution and marketing.



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"COCA-COLA" AND "COKE" ARE REGISTERED TRADEMARKS WHICH IDENTIFY THE SAME PRODUCT OF THE COCA-COLA COMPANY

GEORGIA IV

Encouraging trends in industrial investment

EARLIER THIS year, Mr. George Busbee, Georgia's suave and effective Governor, made a speech in which he acclaimed a record year in 1979 for the inflow of industry, jobs and money into the State.

The Governor said that new plant investment in the year had totalled \$1.5bn, of which \$300m had been spent by foreigners, as 34 international manufacturing projects were launched, bringing 3,762 new jobs. In total, 22,000 new manufacturing jobs had been created and overall unemployment was down from 8.6 per cent to 5.1 per cent.

This is the standard impression of the booming south and a picture which Atlanta, Georgia's largest city—with its tube-like Peachtree Plaza Hotel and its remarkable Omni Centre—has come to symbolise. The car plants have moved south, along with the tyre plants, chemicals industry and now, it appears, even the "glamour" businesses of computers and communications are choosing to locate their expansion in the south, rather than the traditional centres of the north-east and the mid-west.

Services

However, as with most stories of this kind, this one is only partially true. Professor Albert Niemi, who has pioneered projects to calculate Gross State Product models (the equivalent of Gross National Product at State level)—i.e. the value of all goods and services produced—has produced convincing evidence to show that far from becoming a booming manufacturing centre, Georgia has, in reality, become a booming services centre. "growing on the back" of the entire south-eastern region, whose population at over 220m has been advancing much faster than that of the U.S. in general. Georgia's own population has grown by around 10 per cent in the last decade.

It is the increase in buying power from this region which is responsible for the major growth trends in Georgia's output in finance, insurance, real estate, services, transport and communications. Manufacturing is as important for Georgia now

as it was 30 years ago—no more and no less.

Thus, the image of people drifting from the land into factories (one which is still current, even in Georgia), is wrong. But that does not mean that manufacturing jobs have

done so. General Motors and Ford are both active near Atlanta, and so is Lockheed. There are also companies such as Scientific Atlanta, which is one of the country's leading satellite communications firms. But the jobs they have created have only compensated for the loss of jobs in another manufacturing industry, textiles.

"The closest comparison I can find to the economy of New York City," comments Professor Niemi.

In the past 10 years, Georgia's output in transport and communications services has advanced by 71 per cent, against 47 per cent nationally, and 64 versus 40 per cent in other services. One curious aspect of these figures is that output in the Government sector in Georgia actually fell in the decade by 1.9 per cent, compared with 11 per cent national growth—the State's level of bureaucracy having been severely trimmed during the Governorship of Jimmy Carter.

These facts, along with a still rapidly growing population which makes the task of reaching full employment even more difficult, helps to explain why unemployment in Georgia in June, at 7.6 per cent, was only slightly lower than the national average and why, in some southern States (South Carolina, for example, at 8.5 per cent), it was much higher than the national average. These States have a large employment base in the highly cyclical textile and motor industries, as well as service jobs in consumer-dependent sectors, such as air travel.

The textile industry developed in Georgia because of the State's long past supremacy in cotton production. Another of the State's important and growing industries, pulp and paper, also has a strong natural advantage in the vigorous fertility of Georgia's woodlands, which are still growing more quickly than the rate of consumption, unlike

areas of the western U.S. and in Scandinavia. A symbol of Georgia's up-and-coming position in this industry was the decision by Georgia Pacific to relocate its headquarters from Portland to Atlanta.

Georgia's two other internationally-known companies, Coca-Cola and Delta Airlines, are firmly implemented in the services, consumer soft goods sector in which the State's future appears mainly to lie.

But the fact that manufacturing remains responsible for only a fifth of the State's output has not blunted either the need, or the effort, for creating new manufacturing jobs in the region.

Mr. Milton Fields, the State's industry commissioner, is widely regarded as one of the most experienced professionals in the business—he was previously involved in industrial promotion work in the Carolinas. He now leads Georgia's industrial development operation.

His selling points to potential newcomers are the area's excellent transport system, its equable climate, the stability of its fiscally conservative government, the low level of its taxes and the fact that Mr. Fields and his staff will do everything possible to match the incentive packages also available in other States on training, tax breaks, site preparation and all the other requirements of industrial development promotion.

The industry commission has offices in Brussels, Tokyo, Sao Paulo and Toronto and boasts that its efforts have helped attract 500 international companies into the State, the majority of them from the UK, Japan, West Germany, Holland and Canada. The State also has offices of 439 of the companies which constitute the Fortune 500 largest corporations in the U.S.

One of the foreign companies is Murata, a small but aggressive Japanese manufacturer of capacitors and other components for the television and motor industries. Murata initially set up a plant near Atlanta in 1973. Mr. Fred Chanoki, who heads the U.S. operation, said the company considered Salt Lake City and Texas before deciding on Georgia, which especially com-

mended itself because of its airport (many lightweight components are airfreighted), and a climate not unlike that of southern Japan, growing population, lower wages and no trade unionism.

Stimulated by Governor Busbee's visits to Tokyo, the Japanese have been arriving in droves, setting up plants in Georgia in the electrical and machinery sector. The Japanese, according to Mr. Chanoki, are doing quite well.

He had three applicants for every job he offered and, after initial "teething troubles," has labour turnover of only 3.6 per cent, which is near enough to Japanese levels and which, he believes, is to be found only in smaller suburbs and leafy towns of the U.S. He pays his 350 people between \$3.50 and \$4.50 an hour and finds that, in return, he receives productivity of "about 80 per cent" of what he would expect in Japan. For what it is worth.

Meanwhile, the "engine" at the centre of this growth is the metropolitan area of Atlanta, a city of less than half a million people, of whom more than half are black. Surrounding the metropolis are miles of very attractive suburbs, occupied by a further 1.5m people.

One of the problems for the industrial developers is that most of the "out-of-town" want to live within easy distance of Atlanta's services, rather than out in the country, where towns such as Macon are still very short of jobs and they emerge from an era dominated by agriculture and textiles.

Mr. Tom Williams, chairman of the First Atlanta Bank and this year's Atlanta Chamber of Commerce president, a major-of-fact man, not given to the excesses of sloganeering, thinks that Atlanta does have the opportunity to become "a major business centre of the world... if we work hard."

He also thinks the city has matured beyond the grandiose fantasies which created the massive Omni International Centre.

"The days of the big, spectacular city-within-the-city structure are over, if they were ever appropriate," he says.

Ian Hargreaves

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Property sector recovering strongly

OMNI INTERNATIONAL—one of the more spectacular office-hotel-retail megastructures in central Atlanta—changed its marketing strategy this year.

The change was a sound business judgment based on the realities of its market. But it was also symbolic of basic changes that have occurred in the commercial property market of central Atlanta—a sector whose performance is crucial to the overall economic health of this growing regional capital.

In a sense, Omni International is the metropolitan area's property market in microcosm, representing both the best and the worst experience of that market in the boom-bust-boom era that just ended and the promise of its future in the 1980s.

On the "best" side, Omni International is architecturally stunning, a mixed-use development representing a self-contained environment close to the city's Omni sports and entertainment arena, and also adjacent to the Georgia World Congress Centre—a \$35m State-owned convention and exhibition centre that catapulted Atlanta into the front ranks of the nation's convention cities.

Originally conceived as a prestige address, Omni International features a world-class hotel that boasts one of the best—if not the best—occupancy rates in town, as well as a retail mall intended as an exclusive, high-fashion shopping area for both visitors and local residents with one-of-a-kind shops.

Alas, Omni International has not lived up to its original promise—not because it was not brilliantly executed, but because the market was never there in the first place, and because it was located in one of the least promising corners of a central business district that was itself to undergo a decade of crisis as Atlanta transformed itself into a sprawling suburban community.

Now, the owners and managers of Omni International have abandoned what one observer called "its elitist image" in favour of courting middle-class suburban families with a \$1.2m promotional campaign that is showing positive results. The complex still has Hermes and Pucci are long gone, as well as other exclusive outlets that have

given way to retailers catering to a broader market.

Where Omni International is most symbolic of Atlanta's recent property history was in its financing: it was erected on speculation in the early 1970s, a period of euphoria in a community with a self-proclaimed title as "The World's Next Great City."

Who could dream that new tenants would not be breaking down the doors at Omni International—and all the other speculative buildings that were constructed in the same era?

Who could have foreseen the worst recession in 40 years, which hit the nation in 1973, but spared Atlanta for another year before crashing down with catastrophic results that have left their traces ever since?

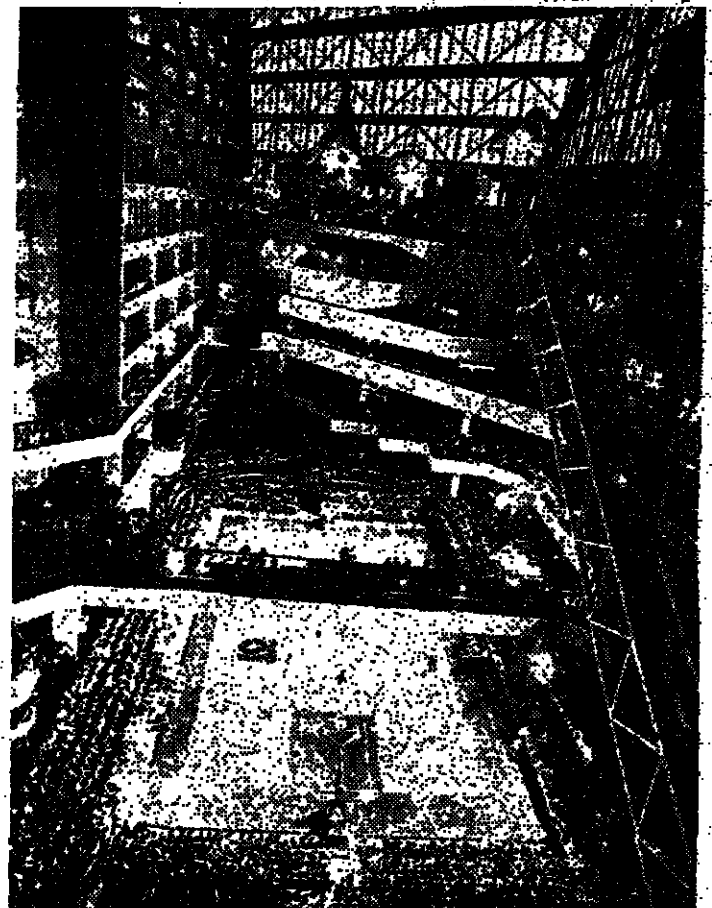
Burden

Atlanta's property market was burdened with too many office buildings, as well as too many single-family houses, condominiums, warehouses and industrial properties, and too many hotel rooms (for a time), furthermore there was too much raw land bought on speculation for that "golden future" that never came.

And when the 1974-75 recession came—belatedly to Georgia—it took a heavy toll. Markets dried up, and builders, faced with declining cash flows, defaulted right and left. Bankruptcies soared. And lending institutions—especially property investment trusts and commercial banks—foreclosed on hundreds of millions of dollars worth of property. One Atlanta bank alone, Citizens and Southern National, carried \$212m in non-earning assets in 1977, the year it posted a \$7.8m loss that resulted in sweeping changes in top management.

Since that disastrous period, Atlanta's property sector has recovered strongly and entered a new decade with the sober expectation that another boom lies ahead that will rival the late 1960s and early 1970s—without the fantasies that might lead to another speculative frenzy. For one thing, lending institutions have cracked down in self-defence, insisting on "a piece of the action" in the future, lest they are faced again with non-earning property.

Although the 1980s opened with another recession, Atlanta's property and construction sectors showed evidence of only minimum vulnerability.



A section of the Omni International Centre. Basketball fans watch the Harlem Globetrotters perform for a televised "Wide World of Sports" programme

with another recession, Atlanta's property and construction sectors showed evidence of only minimum vulnerability.

● Builders had been so engrossed absorbing existing property that they did not have a chance to create another surplus. Indeed, the office, housing and hotel markets are likely to go through a period of scarcity before demand and supply even out again.

● Atlanta's growth curve, which was one of the highest in the U.S. during the 1960s, inevitably levelled off.

● Nevertheless, demand has remained strong in housing, in the convention industry, in the distribution and warehousing trades and, to an increasing degree, in the suburban sector of the office market. All of this promises economic security to the projects that are translated from plans to reality, according to industry observers.

In addition, the property and construction industries have been supported since 1975 by two large-scale projects that have important implications for the city's future: (1) A projected \$30m tax-funded rail rapid transit system, the first leg of which opened in 1979 and (2) the new Midfield passenger terminal at Harts-

Tom Walker

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GEORGIA VI Impressive developments in transport network

ATLANTA, WHICH began its history only a little more than 150 years ago as a railway junction with the unassuming name of Terminus, has always been a crossroads and, in that sense, a transport planner's dream.

But the pre-eminence today of the air travel hub of the city's Hartsfield International Airport and the "octopus legs" of its inter-state highways which reach smoothly and directly into neighbouring States and to the Atlantic Ocean, conceal the fact that the State of Georgia has struggled as hard to put itself on the communications map as it has to become recognised as a significant manufacturing centre.

Overshadowed by the west by the great arterial ducts of the Mississippi River, niggled by higher-than-average railway freight charges and lacking a decent sea port, Georgia, until a decade ago, was well and truly in the transportation backwoods.

The reversal of that situation in a mere ten years has been the most dramatic single element in the march of Georgia from economic obscurity to a point where it—and a handful of other States in the south-east—have the old power centres of the industrial mid-west and, to a lesser extent, the north-east, firmly on the defensive.

Showpiece

Atlanta and its airport are obviously the showpiece of this achievement—an impressive development made possible by a mixture of shrewd planning by Delta Airlines (Atlanta's own airline and one of the most financially successful in the U.S.) and good co-operation from public authorities.

But, in terms of distributing the economic growth which Atlanta has enjoyed through the sprawling State (the largest east of the Mississippi), other links in the transport scene are also of great importance.

Georgia is fortunate that its railways—like all the nation's railways, now in the throes of attempted merger and re-organisation in response to the climate of regulatory liberalism being generated in Washington—are strong, unlike those of the Chicago area, for example.

Its roads were among the earliest planned in the great inter-state network and so are now complete. The Port of Savannah's last major link was built two years ago.

The State's inland waterways—although never a match for the Mississippi—stretch for 500 miles and are served by three useful inland ports—at Augusta,

Columbus and Bainbridge. The sun shines on these canals and rivers, so they don't shut down, as canals in the northern mid-west do, for much of the winter. From Columbus, you can travel by barge all the way to the Gulf of Mexico.

In terms of personal transport, Atlanta's Metropolitan Atlanta Rapid Transit Authority (MARTA), began in 1971 after citizens agreed to add one per cent on the local sales tax to finance it. The development had been plagued with the kind of construction problems and delays that accompany most large civil engineering projects and, recently, by uncertainty over the future of the financially stricken Societe Francaise Belge, which is building the rail cars. But the plan has a good chance of achieving its goal of becoming one of the country's most attractive mass-transit systems, from the rider's point of view.

The city's bus business, now linked with a section of the railway already open, has seen its patronage nearly doubled since 1972. The network should be complete around 1985.

But perhaps the most significant growth in the State's transport infrastructure, aside from Hartsfield, has been at the combined port of Savannah and Brunswick.

Savannah, a town as beautiful as its name—one could describe it as a sort of Bath, with palm trees—is part of a ribbon of fiercely competitive ports on the south-east Atlantic seaboard, stretching from Norfolk, Virginia, to Jacksonville, Florida. Its task has been first to win back from the more northern ports the business of exporting Georgia's own goods—many of which, even five years ago, were being shipped from as far afield as New York. Another aim is to play a creative role in developing the State's trade and commercial base.

The figures tell the story: growth, in net tonnages, has been averaging more than 20 per cent a year for the last five years and, at just over 5m tons last year, the Georgia Ports Authority registered an increase of 28 per cent on the year before.

None of these figures include non-GPA business through the many private terminals in the ports, which would probably just about double the totals.

Mr. George Nichols, the GPA executive director, sees growth continuing at between 15 and 20 per cent a year, at a time when world trade is forecast to grow only 13 per cent and U.S. trade at only 9 per cent in the

same period to 1983—"I don't see how we can miss," comments Mr. Nichols.

One of the port's many advantages is the absence of trade unions, a factor shared with most other Georgia businesses, but also with Savannah's main competitor, Charleston, 50 miles up the coast in the state of South Carolina.

But Mr. Nichols estimates that his costs and therefore his charges are 15 to 20 per cent lower than North Atlantic ports such as New York, something which has clearly been a major reason for the port's success in winning back Georgia's own export trade.

But it has not been the only reason. Mr. Nichols says the men who operate the huge German cranes in Savannah's container-port regularly accomplish 30 to 35 "picks per hour," and, on good days, achieve 55. (British port operators are fortunate if they can manage 20.) Container tonnages handled at Savannah in 1979 were 1.2m, an increase of 50 per cent on the year before.

Productivity

Mr. Nichols argues that his employees' productivity record is evidence of first class morale and a guarantee that the port will continue to keep at bay the International Longshoremen's Association. Pay is moving fairly close to union rates, and job classifications have been improved.

The men at Savannah, who are periodically balloted about their views on union membership, voted overwhelmingly against the union in 1976, having almost voted it in six years earlier.

"We have virtually no idle time on this port because of our non-union status, which has given us flexibility in utilisation of manpower," he adds, in another comment calculated to produce green complexes among European port managers.

The port has also had good backing from the State Government of George Busbee, which has approved a stepped-up investment plan, which will total \$200m in the next five years.

Two new heavy-lift cranes have just been installed, a fourth container terminal will be built by 1982 and a new administrative headquarters is under construction. A similar sum will probably be spent in the period by private investors. So far, it has been money well spent. The port earned \$4.8m on its revenue of \$33m last year, a satisfactory result for the State, which is, in effect, the GPA's mortgage banker.

The more far reaching benefits have been a surge in the number of international shipping lines calling at Savannah, despite the continuation of legal difficulties for Atlantic carriers receiving permission to include sailings to American ports. Savannah expects to receive 350 more sailings this year than last year.

The port has also enjoyed, with the help of Continental Grain (one of the five companies which control most of the world's grain trade), something of a coup in agricultural business.

Continental came into Savannah two years ago, leasing grain shipping facilities and started to encourage traffic in soybeans. Around 20m bushels of the crop passed across Savannah's conveyors last year. This move has not only benefited the port, but Continental's presence convinced many Georgia farmers to switch from corn to soybeans as a second crop to peanuts—a move which proved its worth, especially this summer when the drought-sensitive corn crop suffered badly.

One third of the State's soybean production is exported through Savannah. Continental's arrival had another important side-effect, too—by using collective agricultural muscle to lower rail freight charges, providing years of competitive disadvantage in Georgia.

That model of creative port development, of course, has not been universally achieved in Georgia. Savannah still lacks adequate refrigerated cargo facilities to service the State's poultry products.

Furthermore, the port's plan for a major widening of the river and dredging operation to increase the turning circle, to allow larger ships in although now underway, was much delayed.

But these shortcomings have not prevented Georgia's ports from providing some leadership in the region's economic growth and from advancing their own status to the point where Savannah is now the nation's 21st largest port by tonnage.

Putting Savannah "on the map" as a port has helped to promote the State's exports (Georgia has a 54:46 trade balance). It has also helped the agricultural sector adapt to new trends and pressures, kept some of the State's wealth within its own economy and made Georgia a candidate for major Federal-funded projects (such as coal terminals), which will be needed in the years ahead.

Ian Hargreaves

New air terminal opened

YESTERDAY, THE Hartsfield Atlanta International Airport took a major step towards the next century in civil aviation by inaugurating its new \$750m passenger terminal complex.

Claimed to be the largest in the world, which will be capable of handling 55m passengers a year, and eventually up to 75m.

Atlanta International is already the second biggest airport in the world, in terms of the number of passengers handled annually. Last year, it handled 41.7m passengers, a rise of 14 per cent over the previous year, putting it into second place in the world behind Chicago O'Hare, with 47.8m. The total number of aircraft movements also rose by about 7.5 per cent to nearly 600,000.

By comparison, London Heathrow ranks fourth with 28m passengers. Most of the Atlanta passengers, however, were U.S. domestic travellers. The volume of purely international traffic at the airport is small, amounting to 407,413 passengers last year, but it is growing—last year's expansion was 34 per cent.

For the current year, despite the effects of recession in the U.S. air transport industry, Atlanta International has continued to expand. In the first four months of 1980, the number of passengers reached 13.7m, a rise of 3.6 per cent over the corresponding period of last year. The number of aircraft movements for domestic operations rose by 3.7 per cent to 177,288, while international aircraft movements rose by 31.7 per cent from 1,023 to 1,347.

This growth stems from the fact that Atlanta is one of the main "hub" airports for the whole of the South-Eastern U.S. During 1979, out of the 41.7m users of the airport, more than 70 per cent (or, roughly, 28m) were connecting passengers, making Atlanta the busiest connecting point in the world. To date, 15 major U.S. and international airlines serve the airport, linking it with another 135 U.S. destinations and six major international points, including Gatwick in the UK (served by British Caledonian Airways and Delta Air Lines).

Among the major cities served from Atlanta directly are San Francisco, Denver, Seattle, Portland, New York, Washington and Los Angeles, while Atlanta, in addition to

Gatwick, there are Mexico, Brussels, Frankfurt, Bermuda and the Caribbean.

Atlanta International has about 1,600 flights a day. This is because the city itself is a rapidly growing business centre. Today, 439 of the "Fortune" list of 500 top industrial firms in the U.S. have operations in Atlanta, while it ranks ninth in the U.S. league of bank clearings. The city has 46 of the nation's largest life insurance companies, 35 of the 50 largest diversified financial companies and 17 of the 50 largest commercial banking companies.

To meet this growing commercial activity, the airport has also been obliged to expand. Last year's 41.7m passenger figure was ten times the number the existing terminal facilities were originally designed to handle in 1961.

Facilities

The new facilities, sited about one mile south of the existing terminal, in the middle of the pattern of three parallel runways, expands Atlanta's air service capability to at least 55m passengers a year immediately, and puts up the number of aircraft "gates"—at which the airlines load and unload—from 72 to 138.

The new complex comprises two big main connected terminal buildings, the North Terminal and South Terminal, which are linked to four separate, parallel domestic concourses, spread out over an area of about 378 acres.

From the main Terminal Buildings to the farthest concourse is just over one mile, but passengers can travel between the main Terminal Buildings and the concourses by an underground transit system of electrically-powered, automatically-guided carriages on rubber wheels, which will run at 103-second intervals, at no cost to the rider.

This system will be the fifth-busiest transit system in the U.S., carrying about 250,000 passengers a day. It has been designed by Westinghouse Electric Corporation.

In addition to the train, passengers can walk to and from their concourse if they wish, along an attractively tiled and carpeted tunnel, or they can take moving sidewalks.

By building this passenger complex in the centre of the existing airfield, between the existing runways, the designers

have cut the amount of taxiing time to a minimum, which means significant fuel savings for airlines.

Each concourse can handle more than 30 aircraft at a time, and they are spaced sufficiently widely apart to enable two wide-bodied jets to pass each other between them, even with other wide-bodies parked at the gates on either side.

Because more than 70 per cent of the airport's traffic will be connecting passengers, who will not necessarily either want or need to go into the two main terminal buildings, every concourse has the full range of amenities, including telephones, rest rooms, shops, snack bars, cocktail lounges and other facilities.

The main terminal area itself will have parking spaces for 12,000 vehicles.

A major feature of the new complex, however, is the International Terminal itself. Attached to the eastern end of the new North Terminal, this three-storey international complex will have a six-gate concourse of its own, capable of handling wide-bodied aircraft.

The terminal is sited so as to offer easy access to the main terminal facilities, including parking, and the proposed Atlanta MARTA rapid transit system extension that it is intended to build, linking the airport with the City within 17 minutes' travelling time. The shell for the station has already been constructed, to minimise future disruption.

In the International Terminal there will be a complete Federal Inspection Services area, for immigration, customs, public health and agriculture officials, and 800 arriving passengers will be able to pass through these formalities every hour.

Also on this level is an International Calling Assistance Centre, the first computerised telephone system of its kind, designed to display important dialling and other information in six languages.

The middle level of the International Terminal contains departure lounges and concourses, duty-free shops, cocktail lounges and other concessions, including currency exchange facilities. The top level is reserved for airline offices.

To handle future growth, a second International Terminal,

capable of accommodating more than 800 arriving passengers every hour, will be built adjacent to the new main South Terminal.

Throughout the entire new airport complex, there are no architectural barriers for the handicapped person. Both escalators and the elevators are provided for all changes of level, and elevator buttons feature raised lettering. The colours used are those discernable by the colour-blind, and a combination of visual information and audio announcements is used to direct passenger flow.

Convenient

Many of the public telephones, mounted at heights conveniently reached by all, are equipped with amplifying devices, and for those who are deaf, special typewriters are available at six of the most heavily used areas.

In addition to the development of the passenger facilities at the new airport complex, construction has been in progress on a major new cargo area (also to be inaugurated in mid-September) of about 457,000 sq ft, augmenting the existing facilities of some 350,000 sq ft.

The total construction cost of the passenger terminal complex has amounted to about \$500m, with another \$250m going for road relocation, taxiways and cargo support facilities.

But even with the new facilities just opening, Atlanta is already thinking further ahead, to the time when the new facilities may be facing the same crunch conditions that plagued the old terminal.

Expansion has been built into the design, to enable traffic to rise from 55m passengers a year to 75m. A fifth domestic concourse will be built when the time comes: the second International Terminal is already planned; a fourth runway, of 9,000 ft, will be built in 1983, while, at the same time, the existing 8,000 ft runway is to be extended to 12,000 ft, raising the hourly aircraft movement rate from 120 to 150. Additional carriages will be added to the underground train system, where the stations can be expanded, and more car parking spaces can be built.

Michael Donnan

Companies and Markets

COMMODITIES AND AGRICULTURE

NZ lamb exports to Iraq double

By Dai Hayward in Wellington

NEW ZEALAND has doubled lamb exports to Iraq with a contract to send 30,000 tonnes worth NZ\$70m (\$28.7m) next year.

The price was one of the best ever paid for NZ lamb this year. Iraq bought only 16,000 tonnes, worth about NZ\$40m, last year. The deal makes Iraq one of the big four world customers for NZ lamb along with the UK, Iran and North America.

The sale, which has been helped by a big improvement in cold storage and refrigeration distribution facilities in Iraq, is more than expected. It emphasises the rapidly increasing importance of the Middle East to NZ's lamb industry.

The size of the order and its price has boosted hopes for another big deal with Iran. A meat board team is in Tehran at present negotiating lamb exports for next year. NZ meat industry representatives are hoping for a 90,000 tonne order.

UK will still receive about half of NZ's total production. Meat and lamb production in NZ will be high this year and the extra tonnage going to Iraq will not cut into supplies for Britain but will take the extra production.

Fishing industry aid 'not enough'

By Our Commodities Staff

OWNERS of Britain's deep-sea trawlers will receive up to £25,000 a vessel to help tide them over the crisis in the fishing industry, but it will probably not be enough to get the ships back to sea.

"It will help to keep the banks off the owners' backs rather than put the vessels at sea or the men back in a job," the British Fishing Federation said yesterday.

The money will come as part of the £141m Government temporary aid scheme to help the trawlers stay afloat until the EEC can work out a new fishing policy, it is hoped by the end of the year.

Assistance is being given to owners of registered vessels "which were available for fishing on August 7 and which meet certain criteria designed to show that the vessel is genuinely a commercial fishing vessel."

Ships of 40 feet or longer must have spent 44 days at sea during the first seven months of 1980; and those less than 40 ft must have caught and sold fish worth £1,500 during any continuous three-month period within the first seven months.

The amount of aid will depend on the length of the vessel, but will range from an initial pay-

ment of £225 for a vessel of under 35 ft to £25,000 for a trawler of 180 ft or over. It is expected that between 3,000 and 4,000 vessels will be eligible about half of them inshore boats.

If there is any money left after the original applications have been dealt with, it will be shared out again between the applicants.

Many of Britain's 4,000 smaller inshore boats will not be eligible because they are now no longer used for fishing but have switched to offering holiday trips.

The deep-sea fleet owners, while grateful for any aid, say it is still not enough. At an estimated cost of £3,000 a day for the 190 foot vessels which are at sea for weeks rather than days, even £25,000 a trawler will not last very long, they say.

Mr. Alick Buchanan-Smith, Agriculture Minister of State, said yesterday: "We are determined to do everything possible to sustain the fleet through the period of uncertainty which has been caused by the long drawn-out nature of the negotiations on the Common Fisheries Policy. We will be doing all we can to bring these negotiations to a satisfactory conclusion."

Stocks rise depresses aluminium

By Our Commodities Editor

PROSPECTS of another heavy inflow of stocks into the London Metal Exchange warehouses pushed aluminium prices lower again yesterday. The cash price closed £10 down at £677 a tonne while the three-month futures quotation fell £5 to £685.5.

It was rumoured that sizeable quantities of low quality Egyptian aluminium had been shipped to the warehouses.

Adding the decline was a fall in copper, which was upset by persistent trade selling. Cash wirebars closed £10 down at £281 a tonne.

The tin, too, lost ground with the cash price dipping by £70 to £7,200 a tonne, in spite of a rally in the Penang market overnight.

In contrast, however, lead and zinc values were boosted mainly by speculative buying interest. The feeling is that prices of these metals have been forced too low in recent months and the charts are indicating that a recovery is overdue. Cash zinc rose by 10p for the third day in succession gaining £9.5 to £349 a tonne. Cash lead closed £3.5 up at £381.75 a tonne.

India seeks titanium contracts

India proposes to conclude agreements or contracts for the regular supply of titanium sponge for its defence industries, the United News of India said.

Titanium sponge is needed for a defence undertaking at Hyderabad, said to go into regular operation this year.

Tea exports held in Calcutta

NEW DELHI—The Economic Times newspaper said at least 1.5 million chests of tea have accumulated in warehouses since tea workers began a strike over retirement pay on August 25.

No tea has been exported from Calcutta since the strike began. Auctions have been postponed for the last three weeks.

In London, tea traders said that they understood that the strike was over, barring formalities, and that the Calcutta auctions would be resumed on Monday.

FOOD SUPPLIES

Farmers at the poor end of the chain

By JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

MOST FARMERS are suspicious of the advice they get to integrate themselves more fully with the food processing chain. Such integration has all the dangers to our unsophisticated minds of the young lady of the age who is told to get directly involved in the chain. At the moment, the farmer has turned out as their sponsors wished. Seasons vary and with them yields; consumer tastes also change. It seems that modern methods of food manufacture and distribution, seem to take more and more of the consumer's money, leaving the farmer to pick up the dregs.

Weak position

I visited a biscuit factory the other day. One of the most modern, so I was assured, in the country, and saw computer-monitored machines churning out their products by the tonne. The factory was a direct involvement of flour and sugar. The type of wheat used returned the farmer some £100 per tonne, about 40p per lb, and the sugar some 10p per lb. The retail price of the particular line I was watching worked out at about 55p, or £1,237 per tonne.

This is in no sense a criticism. Food manufacturers are under severe pressures particularly because the spread of supermarket restricts the number of prime customers, so that the

buyers can call much of the time. Farmers, the food manufacturers' main suppliers, are therefore in a weak position. They are many in number compared with the buyers and in addition they seldom have a chance to deal directly with processors. Except for potatoes and some vegetable crops, most trade is carried on through a variety of merchants and agents, so that the farmer loses his interest very early in the marketing chain.

His main interest is the price on the day his produce leaves the farm. Very few contracts for the usual run of farm products I have seen will specify a fixed price except that for sugar beet. The best that can be hoped for is a contract that after domestic sale, the price of the market price of the day. Some contracts for milling wheat offer a specific premium, but these are usually tied to buying a particular merchant's seed.

The only satisfactory way, from the farmer's point of view, of organising marketing is through a monopoly organisation such as the Milk Marketing Board. The Boards may not be the last word in marketing efficiency, but they do at least ensure that each farmer in their area receives roughly the same price for the same quality of milk.

The Milk Boards are not completely independent bodies in that the Government still controls the retail price of milk.

But they are free to do the best they can with about half the total supplies in the manufacturing market for dairy production.

The Wool Marketing Board handles all the wool produced in the UK, grades it, and then offers it for sale, mostly by auction. This trading is supported by a fund jointly financed by the Treasury and the growers themselves, which equalises prices up through the years. The growers' price is guaranteed by the Government. If there is a surplus on sales over acquisitions the Treasury gains, while the price to the farmer is guaranteed.

Support

Real problems arise with the cereal and fatstock sector, which amounts to nearly 60 per cent of total farm output. These are the "cream" of farm production but no more than raw material food processing and distribution. Prices for these are supported in various ways under the Common Agricultural Policy, but this support is nothing like as secure as that in Britain for milk and wool for instance. In general it takes the form of intervention buying which is often of as much advantage to the trade as to farmers.

Many suggestions have been made for instituting contracts for lamb, pig, beef cattle and

cereals, but they have failed in the end. There are seasonal and other variations in production that influence the non-contract market. Buyers must take account of these market prices which are entirely governed by supply and demand, so in consequence most contracts contain formulae for price fixing which take this into account. One of the problems in the pig industry is that farmers had the greatest difficulty keeping loyal to their contracts when the free market was booming.

The Dunes have overcome this problem by exercising a rigid control over the whole of their pig industry which covers not only bacon but fresh pork as well. No farmer or processor can escape this discipline, which applies to all companies alike. It is important to realise that even with this system prices can vary, but it does at least ensure that the product is first class and the farmer is not in the invidious position of seeing his non-operating neighbours cashing in when the market is buoyant.

In past years the free market, helped by deficiency payments, worked quite well on balance. But things are changing. The number of buyers is shrinking fast. It is not too fanciful to predict that within a few years farmers could be faced by what amounts to a monopoly purchaser. The only answer to this would be centralised selling on a virtual monopoly scale.

Sugar boosted to 3-month high

By JOHN EDWARDS, COMMODITIES EDITOR

WORLD sugar prices surged ahead on the London commodity market yesterday to reach the highest level for three months. The London daily price for raw sugar was lifted by £15 to £380 a tonne in the morning. On the futures market the March position gained over £8 to close at £406.40 a tonne after reaching £413 at one stage.

The rise reflects a build-up in bullish sentiment encouraged by reports of renewed heavy buying by the Soviet Union. It was rumoured yesterday that the Russians were back as buyers again, although bidding well below current market levels.

Estimates of the Russian purchases so far already made range between 1m to 1.6m tonnes. But the quantity involved is not considered to be particularly significant since it

had already been calculated that the Russians would require a import 2m tonnes.

What is, perhaps, of greater significance is that the Russians have started buying some two months earlier than expected. This suggests that they are very pessimistic about the result of the Russian beet production this year and might well have to buy further large quantities later if the crop is as bad as feared.

It has been decided to delay harvesting of the Soviet beet crop in the hopes of the weight and sugar content improving, but this leaves it exposed to the risk of frost.

An additional worry for Russia is whether Cuba will be able to boost its production sufficiently this season to recover the shortfall last season that

resulted in a cutback in its sales to the Soviet Union.

The problem in Russia, which is normally the world's single biggest sugar producer, are the main key to the present upsurge. However bullish sentiment has been stimulated too by heavy purchases from other quarters, including Poland—normally an exporter—and Venezuela. Another major exporter, South Africa, is known to have suffered a bad crop setback this year and although it claims that its sales commitments will be met, there are rumours that it might need some temporary imports to satisfy the domestic market.

Additionally speculators are now returning to the sugar market in a bigger way after having been driven out by the heavy losses suffered when prices collapsed earlier

Tea exports held in Calcutta

NEW DELHI—The Economic Times newspaper said at least 1.5 million chests of tea have accumulated in warehouses since tea workers began a strike over retirement pay on August 25.

No tea has been exported from Calcutta since the strike began. Auctions have been postponed for the last three weeks.

In London, tea traders said that they understood that the strike was over, barring formalities, and that the Calcutta auctions would be resumed on Monday.

Zimbabwe hopes to export maize

By MICHAEL HOLMAN

ZIMBABWE expects to have 500,000 tonnes of maize for export in 1981, planting targets for the coming season have been set, the Minister of Agriculture, Senator Dennis Norman, said yesterday.

It represents a dramatic improvement in production of what is the staple food for the country's 7m black population. Earlier this year a combination of poor weather and the impact of the seven-year guerrilla war on production in the Tribal Trust Lands had forced Zimbabwe—which had hitherto produced a surplus in most years—to import maize from South Africa.

However, the Minister, who was speaking to the Financial Times during an official visit to London, said that this import dependency will now be cut short and the last shipment will arrive this month, making a total of some 50,000 tonnes. The latest estimate for the 1979-80 season put commercial production at 900,000 tonnes, considerably higher than had been anticipated earlier this year when the South African orders were placed.

Maize purchase by the state-owned Grain Marketing Board (GMB) reached a record 4.4m tonnes in 1978, but fell to only 512,000 tonnes in 1979. Figures for 1980-81 show that 250,000 hectares will be planted and an

expected yield of five tonnes per hectare will leave a surplus of some 200,000 tonnes of around 1m tonnes.

This, said the Minister, will allow Zimbabwe to resume exports of maize to Zaire in early 1981. Until June this year Zaire was buying 10,000 tonnes a month for the copper and cobalt mining province of Shaba.

The bulk of marketed maize is produced by Zimbabwe's 5,400 white farmers. There would be no difficulty in finding a market for any surplus. Apart from Zaire, Zambia and Tanzania are importing maize to make up for substantial shortfalls in domestic production.

Upswing in Soviet meat production

MOSCOW—Soviet farmers achieved an upswing in meat production during August but total output for the year dropped further behind last year's performance, the weekly Ekonomicheskaya Gazeta said.

Quoting a report by the official central statistical board, Ekonomicheskaya Gazeta said that by September one collective and state farms had produced 9.65m tonnes at slaughter weight.

The included 1.26m tonnes in August, an improvement of 295,000 tonnes over July but not enough to prevent the overall figure for the year dropping to 4 per cent behind the 1979 level.

BRITISH COMMODITY PRICES

BASE METALS

COPPER—Lost ground on the London Metal Exchange. After opening at £289 and initially moving ahead to £288 on modest fresh buying, forward metal came under persistent trade selling which depressed the price to £274 in the morning bar. Over the middle period three months fell further to £271. A rally developed in the afternoon with three months moving up to £273 but the price dipped fresh to £273.5 in line with COMEX before closing the day at £276.5. Turnover 17,200 tonnes.

Wirebars: £249.50—£250.50—£251.50—£252.50—£253.50—£254.50—£255.50—£256.50—£257.50—£258.50—£259.50—£260.50—£261.50—£262.50—£263.50—£264.50—£265.50—£266.50—£267.50—£268.50—£269.50—£270.50—£271.50—£272.50—£273.50—£274.50—£275.50—£276.50—£277.50—£278.50—£279.50—£280.50—£281.50—£282.50—£283.50—£284.50—£285.50—£286.50—£287.50—£288.50—£289.50—£290.50—£291.50—£292.50—£293.50—£294.50—£295.50—£296.50—£297.50—£298.50—£299.50—£300.50—£301.50—£302.50—£303.50—£304.50—£305.50—£306.50—£307.50—£308.50—£309.50—£310.50—£311.50—£312.50—£313.50—£314.50—£315.50—£316.50—£317.50—£318.50—£319.50—£320.50—£321.50—£322.50—£323.50—£324.50—£325.50—£326.50—£327.50—£328.50—£329.50—£330.50—£331.50—£332.50—£333.50—£334.50—£335.50—£336.50—£337.50—£338.50—£339.50—£340.50—£341.50—£342.50—£343.50—£344.50—£345.50—£346.50—£347.50—£348.50—£349.50—£350.50—£351.50—£352.50—£353.50—£354.50—£355.50—£356.50—£357.50—£358.50—£359.50—£360.50—£361.50—£362.50—£363.50—£364.50—£365.50—£366.50—£367.50—£368.50—£369.50—£370.50—£371.50—£372.50—£373.50—£374.50—£375.50—£376.50—£377.50—£378.50—£379.50—£380.50—£381.50—£382.50—£383.50—£384.50—£385.50—£386.50—£387.50—£388.50—£389.50—£390.50—£391.50—£392.50—£393.50—£394.50—£395.50—£396.50—£397.50—£398.50—£399.50—£400.50—£401.50—£402.50—£403.50—£404.50—£405.50—£406.50—£407.50—£408.50—£409.50—£410.50—£411.50—£412.50—£413.50—£414.50—£415.50—£416.50—£417.50—£418.50—£419.50—£420.50—£421.50—£422.50—£423.50—£424.50—£425.50—£426.50—£427.50—£428.50—£429.50—£430.50—£431.50—£432.50—£433.50—£434.50—£435.50—£436.50—£437.50—£438.50—£439.50—£440.50—£441.50—£442.50—£443.50—£444.50—£445.50—£446.50—£447.50—£448.50—£449.50—£450.50—£451.50—£452.50—£453.50—£454.50—£455.50—£456.50—£457.50—£458.50—£459.50—£460.50—£461.50—£462.50—£463.50—£464.50—£465.50—£466.50—£467.50—£468.50—£469.50—£470.50—£471.50—£472.50—£473.50—£474.50—£475.50—£476.50—£477.50—£478.50—£479.50—£480.50—£481.50—£482.50—£483.50—£484.50—£485.50—£486.50—£487.50—£488.50—£489.50—£490.50—£491.50—£492.50—£493.50—£494.50—£495.50—£496.50—£497.50—£498.50—£499.50—£500.50—£501.50—£502.50—£503.50—£504.50—£505.50—£506.50—£507.50—£508.50—£509.50—£510.50—£511.50—£512.50—£513.50—£514.50—£515.50—£516.50—£517.50—£518.50—£519.50—£520.50—£521.50—£522.50—£523.50—£524.50—£525.50—£526.50—£527.50—£528.50—£529.50—£530.50—£531.50—£532.50—£533.50—£534.50—£535.50—£536.50—£537.50—£538.50—£539.50—£540.50—£541.50—£542.50—£543.50—£544.50—£545.50—£546.50—£547.50—£548.50—£549.50—£550.50—£551.50—£552.50—£553.50—£554.50—£555.50—£556.50—£557.50—£558.50—£559.50—£560.50—£561.50—£562.50—£563.50—£564.50—£565.50—£566.50—£567.50—£568.50—£569.50—£570.50—£571.50—£572.50—£573.50—£574.50—£575.50—£576.50—£577.50—£578.50—£579.50—£580.50—£581.50—£582.50—£583.50—£584.50—£585.50—£586.50—£587.50—£588.50—£589.50—£590.50—£591.50—£592.50—£593.50—£594.50—£595.50—£596.50—£597.50—£598.50—£599.50—£600.50—£601.50—£602.50—£603.50—£604.50—£605.50—£606.50—£607.50—£608.50—£609.50—£610.50—£611.50—£612.50—£613.50—£614.50—£615.50—£616.50—£617.50—£618.50—£619.50—£620.50—£621.50—£622.50—£623.50—£624.50—£625.50—£626.50—£627.50—£628.50—£629.50—£630.50—£631.50—£632.50—£633.50—£634.50—£635.50—£636.50—£637.50—£638.50—£639.50—£640.50—£641.50—£642.50—£643.50—£644.50—£645.50—£646.50—£647.50—£648.50—£649.50—£650.50—£651.50—£652.50—£653.50—£654.50—£655.50—£656.50—£657.50—£658.50—£659.50—£660.50—£661.50—£662.50—£663.50—£664.50—£665.50—£666.50—£667.50—£668.50—£669.50—£670.50—£671.50—£672.50—£673.50—£674.50—£675.50—£676.50—£677.50—£678.50—£679.50—£680.50—£681.50—£682.50—£683.50—£684.50—£685.50—£686.50—£687.50—£688.50—£689.50—£690.50—£691.50—£692.50—£693.50—£694.50—£695.50—£696.50—£697.50—£698.50—£699.50—£700.50—£701.50—£702.50—£703.50—£704.50—£705.50—£706.50—£707.50—£708.50—£709.50—£710.50—£711.50—£712.50—£713.50—£714.50—£715.50—£716.50—£717.50—£718.50—£719.50—£720.50—£721.50—£722.50—£723.50—£724.50—£725.50—£726.50—£727.50—£728.50—£729.50—£730.50—£731.50—£732.50—£733.50—£734.50—£735.50—£736.50—£737.50—£738.50—£739.50—£740.50—£741.50—£742.50—£743.50—£744.50—£745.50—£746.50—£747.50—£748.50—£749.50—£750.50—£751.50—£752.50—£753.50—£754.50—£755.50—£756.50—£757.50—£758.50—£759.50—£760.50—£761.50—£762.50—£763.50—£764.50—£765.50—£766.50—£767.50—£768.50—£769.50—£770.50—£771.50—£772.50—£773.50—£774.50—£775.50—£776.50—£777.50—£778.50—£779.50—£780.50—£781.50—£782.50—£783.50—£784.50—£785.50—£786.50—£787.50—£788.50—£789.50—£790.50—£791.50—£792.50—£793.50—£794.50—£795.50—£796.50—£797.50—£798.50—£799.50—£800.50—£801.50—£802.50—£803.50—£804.50—£805.50—£806.50—£807.50—£808.50—£809.50—£810.50—£811.50—£812.50—£813.50—£814.50—£815.50—£816.50—£817.50—£818.50—£819.50—£820.50—£821.50—£822.50—£823.50—£824.50—£825.50—£826.50—£827.50—£828.50—£829.50—£830.50—£831.50—£832.50—£833.50—£834.50—£835.50—£836.50—£837.50—£838.50—£839.50—£840.50—£841.50—£842.50—£843.50—£844.50—£845.50—£846.50—£847.50—£848.50—£849.50—£850.50—£851.50—£852.50—£853.50—£854.50—£855.50—£856.50—£857.50—£858.50—£859.50—£860.50—£861.50—£862.50—£863.50—£864.50—£865.50—£866.50—£867.50—£868.50—£869.50—£870.50—£871.50—£872.50—£873.50—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Companies and Markets

LONDON STOCK EXCHANGE

GKN dividend cut reverses equity market trend and index loses 7.1 gain to close 3.1 down at 497.7

Account Dealing Dates
Option
First Declara- Last Account
Dealing tions Dealing Day
Sept. 1 Sept. 11 Sept. 12 Sept. 22
Sept. 15 Sept. 25 Sept. 26 Oct. 2
Sept. 29 Oct. 9 Oct. 10 Oct. 20

New time deals may take place from 9 am two business days earlier.

A highly promising upturn in London stock markets was reversed abruptly yesterday afternoon by GKN's shock interim dividend cut, half-yearly profits matching lowest market estimates and a warning about second-half prospects. Early strength resulted from several encouraging pointers ranging from the Bank of England's view on inflation and public spending, which backed up recent Treasury predictions of a marked slowdown in both over the next six months, to dock peace hopes. Wall Street's continued strength was another helpful influence and at 2.00 pm the FT 30-share index was 7.1 up and looking set to test its 1980 high, an hour later, it was a net 0.6 down and the fall was extended to one of 3.1 at the close of 497.7.

The Bank's comments about the financial pressures on industry, initially ignored by the equity market, were driven home with impressive force by GKN's statement and the company's interim dividend reduction was the second by an index constituent in a week. GKN fell dramatically from 240 to close at the day's lowest of 185p, down 30 on the overnight level. In sympathy, Tube Investments shed an early gain of 7 to end a net 10 off at 232p and other leading industrials closed well below the best. Another index constituent to show weakness was Distillers which, on the chairman's warning about prospects, dropped 10 to 215p.

The Bank's stress on the importance of controlling public sector borrowing together with the report that the Government was seriously considering paying the sector's wage rises induced some support for Gilt-edged securities. The announcement that tenders for the new long term stock, Exchequer 12 per cent 1988 "A", had been allotted in full was expected and this market too appeared on course for continued strength. The agreed dock peace formula gave additional cause for improvement, but the movement faltered after the GKN message and slipped further on a report that the Cabinet had agreed that the time was not yet right for any cut in interest rates.

Profit-taking then began to pare gains, particularly in the trading stocks, and Treasury 13

per cent 2000 settled only 1 up at 1004, after 1011, while the recently-exhausted medium term Treasury 11 1/2 per cent 1991 "A" closed 1 higher at 471, after 481. Rises elsewhere among medium-term issues extended to a full point but these were also being reduced in the after-hours trade. Shorter-dated issues, similarly, had their gains halved from 1/2 to around 1/4.

Demand for Traded options fell away sharply and only 645 deals were arranged, the lowest total so far this month. GEC attracted a fair measure of support with 183 trades, while Comgold Fields were dealt 111 times on the back of the pleasing annual results.

London United good

Very firm and fairly active trading conditions prevailed in London. London United Investments featured Composites with a rise of 15 to 180p, while Eagle Star gained 4 to 270p on further consideration of the satisfactory interim results. Comment on the better-than-expected half-year results helped Legal and General improve 4 more to 257p among Life issues in which Prudential added 10 to 268p and Pearl, 438p, and Britannic, 268p, rose 6 apiece. Lloyds Bankers continued to make progress with Willis Faber's good results attracting further support in the sector. Willis Faber advanced 9 more to 285p, while Stewart Wrightson, 242p, C. E. Heath, 222p, and Sedgwick, 136p, all appreciated 7. Minnet added 5 to 117p and Stenhouse rose 4 to 96p.

Discount Houses closed firmer throughout with gains to 16, with the exception of Midland, which gave up 4 to 358p, the major clearers trended firmly, NatWest putting on 5 to 400p and Lloyds 3 to 338p.

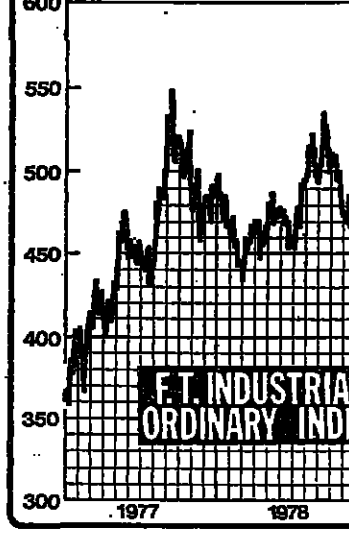
The bearish tone of the chairman's statement at the annual meeting prompted further marked weakness in Distillers, 10 lower at 215p. Other Wines and Spirits eased in sympathy. Breweries were mixed. The leaders ended a shade easier with Scottish and Newcastle shedding 1 1/2 to 68p, but regional issues were selectively firm. Workington and Durey improved 6 to 105p, while the factory progress made by Boddingtons in the first half left the shares 3 up at 95p.

Quietly firm conditions prevailed among leading Buildings. Elsewhere, Montague L. Meyer approved 6 to 105p, while the net 2 dealer at 100p as speculative interest revived, while Crouch Group added 5 to a 1980 peak of 108p and Burnett and Hallamshire advanced 15 to 790p.

the last-named in a thin market. Buying ahead of next Wednesday's preliminary results left Ben Bailey 2 firmer at 18p. Others to attract support included Hothcot Johnson, up 3 at 86p.

Demand for ICI petered out around mid-session and the close was just a couple of pence higher at 356p, after 360p. Laporte hardened a penny to 105p awaiting today's interim results, while Croda finished a

half profit, Thorn EMI closed 6 better at 356p, after 360p. GEC ended 5 to the good at 535p, after 540p, while Racal closed a similar amount dearer at 32p. BICC rose 7 to 153p and Bowthorpe 6 to 171p. Elsewhere, Sany jumped 35 more for a two-day advance of 75 to 680p on further consideration of the record 8-monthly profits. Webber Electronic appreciated 8 to 102p and Emess Lighting put on 6 to 173p, while Brooks revived with



FT INDUSTRIAL ORDINARY INDEX

fraction better at 35p, after 361p, despite the halved interim profits.

Despite announcing interim profits below general expectations, the maintained dividend and accompanying statement helped Uds gain 2 to 68p. Other Store majors recovered from an earlier opening and closed a penny or two higher. Gussies A were particularly firm, rising 6 to 470p. Further profit-taking clipped 4 from Cornhill Dresses, 64p, but speculative interest was directed to Martin Ford, a few pence firmer at 33p, and Fine Art Developments, 5 better at 73p. News of a further 1.5m provision against losses in its retailing interests depressed Kitchen Queen, 4 down at 9p, after 8p. Mail-orders were also dull, with Empire and Grattan Warehouses easing 4 apiece to 140p, and 54p respectively; the latter announces interim results next Wednesday.

Although closing below the best, gains in the Electrical leaders still ranged to 7. Rallying further from the depressed level of 34p which followed last Friday's forecast of lower first-

decline in profits was largely discounted. Among other Foods, Tate and Lyle put on 4 to 168p reflecting the three month peak in sugar prices following the Soviet Union's heavy buying. Associated Dairies continued firmly, up 4 more at a 1980 peak of 242p, but J. Sainsbury eased 5 to 518p. Elsewhere, buying in a thin market lifted Ebbroth Confectionery 4 to 45p, but Bernard Matthews shed 12 to 255p on small selling.

Hotels and Caterers featured Ladbroke which put on 7 to a 1980 peak of 208p.

Johnson Matthey up

The early afternoon announcement of GKN's aysal interim statement prompted a swift turn-around in the miscellaneous industrial leaders. Closing levels were below the best with Glaxo finishing 4 up at 258p, after 260p, and Unilever 8 higher at 508p, after 511p. Metal Box came back from 273p to further consideration of the company's bullion interests and on revived suggestions of a possible bid from Charter Consolidated. Polymark rose 8 to 90p following the chairman's encouraging statement and Pentax rose 6 to 52p in response to speculative support. Booker McConnell, 53p, and T. Marshall Loxley A, 26p, both improved 2 following their respective interim statements but Steedley fell 6 to 188p on the first-half profits contraction. News of the interim dividend omission and half-year profits setback also clipped a couple of pence from Brown Boveri Kent at 38p.

Lucas fell 9 to 201p in sympathy with the poor interim statement from GKN. Automotive Products eased 3 to 88p, but other Motor Components trended firmer. Dorey, 245p, and Kwik-Fit hardened 2 to 95p. The sharp drop in first-half earnings from Harold Perry was much as expected and the shares, dull of late, rallied strongly to close 8 better at 71p.

Among firm Newspapers, Associated advanced 8 to 273p, while Daily Mail, a rose 13 to 485p. United, interim results due Tuesday, picked up 2 to 210p, but the slump in interim profits and gloomy statement clipped 2 from Liverpool Daily Post, 98p, after 99p. Haynes Publishing continued to recover from the poor results and closed 7 up at 140p. Elsewhere, Inveresk rallied 3 to 25p, but further con-

tinued to recover from the poor results and closed 7 up at 140p. Elsewhere, Inveresk rallied 3 to 25p, but further con-

consideration of the disappointing interim statement left Bemrose 2 cheaper for a two-day fall of 7 at 39p.

The undertone in Properties was firm, but best levels were not always held. MEPC finished 3 dearer at 251p, after 253p, and Land Securities a penny up at 391p, after 382p. Secondary issues were featured by Marler Estates which, after recent strength, jumped 14 to 108p, after 112p, on the announcement of a bid approach. Buying ahead of next Monday's preliminary results lifted A. and J. Mucklow 7 to 210p. Second City Properties added 2 1/2 to 70p on the satisfactory annual results and property revaluation. McKay Securities held at 160p; the price in yesterday's issue was incorrect.

Aran Energy fall

The Oil majors made progress on Saudi Arabia's move to unify basic oil prices. British Petroleum and Shell adding 8 apiece to 258p and 414p respectively. Vague bid rumours accompanied demand for Ultramar which put on 14 to 378p, after 382p. Press comment suggesting that British Petroleum's second well off the coast of Ireland indicated only a modest flow of oil prompted selling of Aran Energy which, on the company's near-17 per cent stake in the venture, dropped to 35p before closing a net 5 down at 370p.

Capital issues continued to make the running in Investment Trusts with gains often extending into double figures. City and Commercial Capital rose 10 to 218p, while Duvelast Capital put on 10 to 218p. Rothchild overcame the recent family altercation and closed 9 higher at 361p. Among Financials, the increased interim profits and dividend lifted Corstianth 2 to 33p, while reflection of the recent strength of the Gold market helped stockjobbers Smith Bros. 4 up at 41p.

Quiet Mines

Mining markets were considerably quieter after the flurry of activity on Wednesday. South African Golds tended to ease for most of the day reflecting a marginally weaker Rand. Anglo American price—finally 83 down at 872.50 an ounce—with one or two attempts at a rally being met by modest profit-taking. Most issues closed a fraction easier, and the Gold Mines index declined 0.2 to

FINANCIAL TIMES STOCK INDICES

	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 13	Year ago
Government Secs	71.15	70.61	70.47	70.76	70.94	70.76	72.93
Fixed Interest	71.17	71.78	71.71	71.98	71.86	72.58	72.58
Industrial Ord	497.7	500.8	500.7	500.8	500.8	498.1	498.1
Gold Mines	487.7	487.9	484.7	470.3	468.4	468.1	468.1
Ord. Div. Yield	7.35	7.33	7.27	7.35	7.35	7.30	7.11
Earnings, Yield % (ind)	17.56	17.87	17.35	17.35	17.00	17.33	18.44
P/E Ratio (net) (%)	7.02	7.05	7.02	7.05	7.17	7.07	6.94
Total Bargain	20,608	19,974	21,157	22,304	22,304	22,304	22,304
Equity turnover %	180.54	180.54	180.54	180.54	180.54	180.54	180.54
Equity bargains total	11,908	12,474	12,907	13,557	13,557	13,557	13,557

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FINANCIAL TIMES

Friday September 19 1980

BELLS
SCOTCH WHISKY
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Carter threat to EEC textiles

By David Buchan in Washington

PRESIDENT Jimmy Carter yesterday signed a proclamation that the U.S. will next January raise duties on some European textile imports, mainly woolen goods from the UK. If the European Community does not end its quotas on U.S. polyester fibres at the end of this year, His threatened retaliation is specially directed against Britain, because it was at the behest of Mrs. Thatcher's Government that the EEC imposed quotas in February on U.S. polyester filament and nylon carter yarn. Those limits expire this December, a commitment to which the Carter Administration wants to hold the EEC.

Yesterday's statement said that if the quotas continued into 1981, then duties on some \$80m-worth of European exports a year would be raised.

The tariff on one category of man-made fibre yarn would increase from 8 to 20 per cent, while duties on shipments from Europe of woollen products would rise from 20 to 37 per cent. Britain is the biggest supplier of woollen goods from Europe to the U.S.

Yesterday's statement detailed a warning made on July 17 by Mr. Reubin Askew, U.S. trade negotiator, and was issued to allow for public comment in the U.S.

Simultaneously it will do President Carter no electoral harm with the U.S. textile industry, which has long sought more protection. This week the President also signed a textile agreement with China, restraining imports into the U.S.

A separate dispute between the U.S. and the EEC centres on the latter's decision this summer to levy provisional anti-dumping duties on categories of U.S. synthetic fibre exports to the EEC, pending final ruling from Brussels.

The U.S. contested the dumping allegation but urges U.S. producers such as Dupont and Monsanto to co-operate with the investigation to get their side of the case heard in Brussels.

Paul Cheeseright adds: In London the proclamation was regarded as another move in the war of nerves between the EEC and the U.S. over textiles and steel.

It was noted that no decision has been taken in London or Brussels, on whether quotas should be extended after December 31.

The British Textile Confederation said U.S. retaliation against quotas protecting the UK would be unjustified.

"It would open the way to the trade war we all wish to avoid," said Mr. Ian MacArthur, director. The Airbus deal was said to be a "satisfactory understanding" on the major issues had been reached and that he would recommend his government to take "immediate decisions" in Europe's favour.

These were understood to include the go-ahead for the European Airbus ordered by Mrs. Thatcher and the Treasury to take tough action in time for next month's Party conference, where rates will again be one of the main subjects of protest from the rank and file.

As an alternative to yesterday's measures a moratorium on capital projects was considered. Mr. Heseltine said this idea had the disadvantage of not reducing revenue expenditure, where most of the overspending was incurred. In addition he had been convinced by the construction industry's protests about the effect of a moratorium in

capital projects. Mr. Heseltine admitted yesterday that his decision introduced some unfair inconsistencies. "But the powers available to me are limited and I cannot help it. This is the best we can do until we have the powers we need next year which are in the Local Government Bill now before Parliament."

Local authorities which have met all the Government's targets, cut their expenditure and manpower and improved their efficiency will suffer just as much as the worst offenders if the £800m is withdrawn.

Another inconsistency, he acknowledged, was that the authorities penalised were not

all overspenders on the Government's new assessments of what they should be spending.

Newcastle, for example, has the highest rate outside London and is to be penalised. But on the assessments for the new block grant system to be introduced in 1981-82 Newcastle's spending level is almost on target.

Eight authorities which would have been penalised for spending too much have been relieved because they have made special efforts to cut their budgets. They are Southwark, Haringey, Swansea, Newham, Manchester, Doncaster, Wandsworth and Merthyr Tydfil. All except Wandsworth are Labour.

Sir Peter Parker, chairman of the British Railways Board, said last night the Government action was a realistic reaction to the effects of the recession.

"It gives us a more business-like flexibility which we have been asking for," he said. "There is much we are doing to help ourselves and much we still need to do and the unions know it."

Cabinet supports Howe's cautious approach to cutting interest rates

BY ELINOR GOODMAN AND PETER RIDDELL

THE DETERMINATION of Sir Geoffrey Howe, the Chancellor, to take a cautious view about an early cut in interest rates was yesterday endorsed in the morning by the Cabinet and reinforced in the afternoon by the expected poor set of money supply figures.

The Bank of England figures indicate that the underlying rate of monetary growth is still well above the official target range, while Government borrowing remains at a high level and there are no signs yet of any significant change in the underlying private sector demand for credit.

Sir Geoffrey, in his report to the Cabinet, apparently reassured his colleagues that the basic strategy was still on course. It was agreed that while an early cut in interest rates was desirable, this could only happen when it was justifiable in terms of the strategic aims.

This view was backed by the Cabinet in its first full session since the start of the Parliamentary recess.

The Cabinet did not discuss any specific measures to help industry. The meeting con-

The Bundesbank yesterday cut West Germany's Lombard rate from 9.5 to 9 per cent — the first West German key interest rate movement since last May. The discount rate has been left unchanged at 7.5 per cent. Page 2

sisted mainly of progress reports from individual ministers on what had happened during the last six weeks.

Ministers have been anxious to dampen speculation about an imminent large cut in interest rates. A small reduction is still possible, though very far from certain, after the September banking figures are available early next month. Many Tory MPs will be disappointed if Minimum Lending Rate is still at its present 16 per cent when they return to Westminster at the end of October, especially in view of reports about the impact of the recession in their own constituencies.

Although the confidence of some ministers has been seriously shaken by recent financial figures, most still believe that it would be suicidal for the Government to change course

now. But the evidence of industry's problems does suggest that when the Cabinet starts detailed discussions there will be considerable pressure for a generous package to help industry.

The latest monetary figures, as expected, show that sterling M3, the broadly defined money supply, rose by 2.9 per cent last month. A large part of this increase can be explained by distortions following the end of the corset controls on the banks in mid-June, notably the switching back of operations within the measured money supply.

But after making a generous allowance for these distortions, the underlying rate of growth of sterling M3 may still be about 15 to 16 per cent compared with an official target rate of increase of 7 to 11 per cent. Moreover,

domestic credit expanded by £2.02bn last month.

These figures are officially seen as fully justifying the need for caution about MLR until a clearer picture emerges of both the distortions and the underlying trend.

The official hope is that both public sector borrowing and private sector demand for credit will decline in the second half of 1980-81.

After adjusting for the corset distortions and the three-monthly pattern of bank lending, the underlying growth in advances is reckoned to have been much as in recent months. Since mid-August, there have been reports of some easing in the demand for credit but at present there is official scepticism about this evidence.

The money supply figures had little impact yesterday on the gilt-edged market. There was, as expected, only limited interest in the new stock, 12 per cent Exchequer 1988, when the offer closed. All tenders from the public were allotted in full at the minimum price of £82.50 per cent.

Table, Page 7

Five currencies to make up SDR valuation basket

BY DAVID BUCHAN IN WASHINGTON

THE International Monetary Fund is to simplify the valuation of its reserve asset, the Special Drawing Right (SDR), by setting it in terms of five major currencies instead of the current "basket" of 16 currencies.

The change, announced in Washington yesterday, will take effect from January 1, 1981. The smaller basket for valuation is close to that already used in calculation of the asset's interest rate, and is composed of the currencies of the U.S., West Germany, Japan, France and Britain.

IMF officials said several reasons lay behind the decision to "unify and simplify" the currency baskets that determine the value and interest rate on the SDR now, instead of waiting until the review planned for 1983.

Private capital markets were increasingly using the SDR as a unit of account in financial operations, they said. A slimmed-down basket "in easily tradable currencies" would encourage this trend.

The changes would also make it easier for the IMF to borrow directly from private markets and to issue SDR denominated debt. The fund has not done so yet, but it may, following the rebuff of its attempt to borrow from Arab oil producing

countries because of the dispute among IMF member states over the seating of the Palestine Liberation Organisation as an observer at this month's annual meeting.

The new formula for SDR valuation will give the U.S. dollar a 42 per cent weighting compared to 33 per cent at present. The D-mark also rises to a 19 per cent weighting (12.5 per cent), and the pound sterling, French franc and Japanese yen increase to 13 per cent each in the basket (from 7.5 per cent).

One SDR is currently worth \$1.31. IMF officials said they had given the markets four months' notice of the valuation change to facilitate a smooth transition.

The interest rate basket stays at five currencies. But the officials said the current interest rate of 8.25 per cent on SDRs is likely to be increased to 8.5 per cent on October 1. Governments holding SDRs are paid 80 per cent of the full SDR interest rate.

The currency composition of the SDR's basket will be reviewed at five-year intervals beginning on January 1, 1986. Despite its poor performance in trade, Britain is likely to have sterling in the SDR basket for some time.

Until 1974, when the basket

of 16 was created, the SDR was valued solely in terms of the U.S. dollar. There was one change in 1973, with the South African rand and the Dutch guilder dropping out and the Saudi Arabian and Iranian rials coming in.

Nicholas Colchester writes: British Government and Bank of England officials are waiting anxiously for today's outcome of U.S. efforts to prevent the PLO from going to Washington at the end of the month as an observer at the annual meetings of the IMF and the World Bank.

Britain has cast its vote against the inclusion of the PLO. Either way it is resolved, the issue may reduce the IMF's access to funds. If the PLO goes to Washington the U.S. Congress could refuse to participate in the seventh general increase of IMF quotas—which determine how much a country will contribute to the IMF, how much it can borrow, and how much voting influence it has.

But if the PLO is excluded, Arab members of the Organisation of Petroleum Exporting Countries may not provide the supplementary financing which the IMF has been seeking from them. British Government officials concede that this could force the IMF to turn to the capital markets for funds.

Consett bid consortium 'optimistic'

By Alan Pike

REPRESENTATIVES of the consortium seeking to take over British Steel's Consett, County Durham, spent an hour with Mr. Ian MacGregor, chairman of BSC, yesterday and left saying they were "very optimistic".

The consortium of 11 businesses wants to pay about £1.5m-£2m for the plant, which closed with 3,700 redundancies last week. Although most of the companies involved have not been named, representatives of two of them were at the meeting. They were Mr. David Bealey, joint managing director of Cronite, a private steel company, and Mr. John O'Keefe, managing director of the Chard-Hennessy stockholders' group and the consortium's secretary.

They were accompanied by Mr. Keith Bill, representing the Iron and Steel Trades Confederation, which supports the attempt. Mr. Bill said afterwards that BSC had approached the bid seriously and had made a number of suggestions on how the consortium might proceed. The consortium would meet soon to discuss information provided by BSC.

Background, Page 6

Weather

UK TODAY

Most areas will have some rain at times but Eastern England may stay mostly dry. London, S.E. and E. England Mostly dry, bright periods. Max. 18C (64F).

S. England, Midlands, N., N.W. and N.E. England, Channel Is. Mainly cloudy, rain at times. Max. 18C (64F).

W. England, Wales Rather cloudy, showers, some heavy. Sunny intervals developing. Max. 17C (63F).

S.W., N.W. Scotland, N. Ireland Occasional showers, some heavy. Bright intervals. Max. 15C (59F).

Borders, Highlands, N.E. Scotland Cloudy, outbreaks of rain, becoming brighter. Max. 15C (59F).

Outlook: Sunny intervals and showers, with perhaps some longer outbreaks of rain in S.

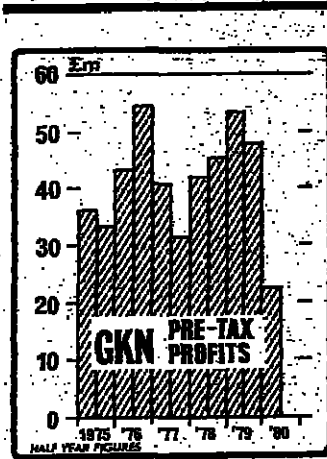
WORLDWIDE

City	Temp	Wind	Cloud	Temp	Wind	Cloud
Ajaccio	24	75	Light	23	73	7
Algiers	27	81	Light	26	79	7
Amman	18	64	Light	16	61	6
Athens	26	79	Light	24	75	6
Bahrein	34	93	Light	32	90	6
Barcelona	24	75	Light	22	72	6
Bombay	28	82	Light	26	79	6
Buenos Aires	24	75	Light	22	72	6
Calcutta	28	82	Light	26	79	6
Cairo	24	75	Light	22	72	6
Canton	24	75	Light	22	72	6
Cebu	28	82	Light	26	79	6
Colon	28	82	Light	26	79	6
Copenhagen	18	64	Light	16	61	6
Dublin	18	64	Light	16	61	6
Hankow	24	75	Light	22	72	6
Hong Kong	28	82	Light	26	79	6
Kobe	24	75	Light	22	72	6
London	18	64	Light	16	61	6
Lyons	18	64	Light	16	61	6
Manila	28	82	Light	26	79	6
Medan	28	82	Light	26	79	6
Mexico City	24	75	Light	22	72	6
Moscow	18	64	Light	16	61	6
Odessa	18	64	Light	16	61	6
Paris	18	64	Light	16	61	6
Peking	24	75	Light	22	72	6
Rangoon	28	82	Light	26	79	6
Reykjavik	18	64	Light	16	61	6
Rome	18	64	Light	16	61	6
Singapore	28	82	Light	26	79	6
Sourabaya	28	82	Light	26	79	6
Taipei	28	82	Light	26	79	6
Tientsin	24	75	Light	22	72	6
Tokyo	24	75	Light	22	72	6
Yokohama	24	75	Light	22	72	6

THE LEX COLUMN

UK slump deepens for GKN

Index fell 3.1 to 497.7



Britain's industrial slump yesterday claimed a notable victim in GKN's dividend rate. Not only is GKN's first half profits figure of £22.4m worse than expected—though a hefty fall from the comparable £53.5m was inevitable—but the group is earning no money at all in the UK. Moreover, the short term prospect is that conditions will get worse rather than better, especially since the second half will bear most of the costs of a substantial redundancy and closure programme. The group can see no chance of any improvement in conditions until well into next year, and the bad news played a big part in the blue-chip slump in a previously buoyant 30-Share Index between noon and the close yesterday. GKN's own share price tumbled 30p to 198p.

In contrast, GKN is performing quite well overseas, where trading profits improved from £23m to £28m in the first half. The continuing swing to front wheel drive cars in Europe is raising demand for constant velocity joints and this is offsetting any overall decline in car output. Thus in the current half the introduction of Ford's new Escort model should help maintain overseas profitability (though the new U.S. operation will not start to contribute until next year).

In the UK, however, the gloom is deep and GKN has been trimming its operations back hard. The second half will bear £9m of exceptional costs above the line, and another £20m below, and a UK loss seems inevitable. Overall pre-tax profits for the full year could be slashed from £101.4m to the order of £35m, and overseas tax will absorb most of this. With debt rising, GKN could not allow the dividend to become a sacred cow.

Rowntree

Rowntree Mackintosh's interim trading results are more or less unchanged, but sharply higher depreciation and finance costs have knocked pre-tax profits back from £9.5m to £4.5m. The impact of these costs will be less noticeable in the current half when for seasonal reasons the overall level of profits is much higher. But Rowntree seems more hesitant than Cadbury about the outlook for confectionery sales over Christmas. So its profits for the year could fall from £40.4m to anywhere between £30m and £35m pre-tax.

In the UK, the group has been

spending heavily on fixed assets and brand development at a time when confectionery sales have been under heavy pressure. In continental Europe Rowntree's already narrow profit margin on its annual sales of around £150m have been wiped out altogether by the rise in sterling and fierce price competition, notably from Mars.

However, Rowntree can afford to maintain its ambitious expansion programme for some time yet. Gearing should be only marginally higher at the year-end, when debt could represent roughly 30 per cent of shareholders' funds. A maintained dividend could be roughly twice covered by current cost earnings, and there may even be room for a small increase. This year's interest charge may be over £15m, so falling money rates and commodity prices could bring a recovery in 1981. But that seems to be broadly discounted with the shares at 174p, where the yield is 6 per cent.

The full money supply figures for banking August showed sterling M3 up by 2.9 per cent, a whisker below the preliminary indication. Sales of debt to the non-bank private sector were very high, at £1.2bn — a good thing too, considering that the central Government's borrowing needs touched a seasonally adjusted record of £2,000m.

The Bank of England does not seem to be convinced that the underlying level of bank lending to the private sector has fallen.

But the gilt-edged market has largely given up these figures up as a bad job, and is far more interested in the Treasury's optimistic view of future public borrowing. It also quite likes to see the stick taken to local authorities, which seem to be getting much the same treatment as the nationalised industries — a straight cut in subsidies. The result, once again, will be higher indirect taxes: rates this time rather than telephone charges.

Delta Metal's first half pre-tax profits are a mere £0.6m lower at £13.5m, thanks to a solid performance overseas and a good first quarter in the UK, with none of the strikes that bedevilled early 1979. Since April, though, there has been the familiar violent drop in demand, especially in the building products division, where sales of some lines are 40 per cent below last year's levels.

The group feels that customer destocking is largely over, but final demand seems to have stabilised at a very low level. In the meantime, like IMI, Delta is exporting heavily (on very low margins) just to keep its plant operating at reasonable capacity.

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THE DELTA GROUP

Interim Report 1980

	Half year to	Year to
Sales	28.6.80 £283.29m	30.6.79 £256.84m
Profit before tax	£13.45m	£14.05m
Attributable profit	£6.08m	£8.03m
Dividend per share	1.82p	1.82p

- * Demand in the UK dropped severely from the beginning of April.
- * Our overseas companies achieved higher sales and profits.
- * I am hopeful that destocking by many customers is largely completed and that home demand will fall no further.
- * I am confident we shall emerge from the present recession well prepared to take orders on a more profitable basis.

Lord Caldecote, Chairman

Delta provides products and services for the control and supply of electricity, water and gas, as well as components and non-ferrous alloys, world-wide.

The Delta Metal Company Limited **DELTA**

Copies of the Interim Report available from the Company Secretary, 1, Kingsway, London WC2B 6EX